FEARLESS—FORWARD LOOKING—FORTNIGHTLY

The MAGAZINE of WALL STREET

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THE ALERT INVESTORS' MAGAZINE

Fifteen Cents

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FEARLESS - FORWARD LOOKING - FORTNIGHTLY

Vol. 19. November 25, 1916. No. 4.

THE OUTLOOK

Aftermath of the Election—Some Signs of Caution—Our Foreign Relations—Labor—Railroads—Character of the Market

THE result of the election caused a moderate decline in railroad stocks, chiefly because of the support given by President Wilson to the demands of the men for higher wages, but apparently had no effect at all on the rest of the market. So far as industrial stocks are concerned, investment considerations have been almost entirely lost sight of. Public speculation is in control and hardly any purchases are made with a view to income. Each buyer expects to sell to some other speculative buyer at a still higher price and so far, aside from the rails and the automobile stocks, that expectation has been easily fulfilled.

Some Merchants Feeling Cautious

AN interesting development has been the beginning of a spirit of caution in some merchandising circles because of the very rapid rise of commodity prices in practically all fields. At the beginning of November average commodity prices were up 12 per cent from August; and this, of course, comes on top of a tremendous rise previously, the present level being about 48 per cent above that prevailing just before the war. There has undoubtedly been a further advance since Nov. 1.

The rise has been especially sharp in food; clothing and coal, so that the consumer is feeling the pinch harder than ever. Twenty cent cotton, two dollar wheat, thirteen dollar coal in some parts of New York City, potatoes at the unheard of price of $4.00 a barrel in Aroostook County, Maine, force the high price question home to the average householder much more strongly than 33 cents a pound for copper or an average price of above $65 a ton for steel against $30 a year and a half ago.

Both mills and merchants are wondering if such prices will not reduce consumption, but as yet there are no special evidences that such is the case. Marshall Field & Co., the greatest wholesalers of the West, are advising retailers to buy only for current consumption and to avoid loading their shelves at the present level of prices. They emphasize this view by sending circulars to retailers offering staple goods slightly under the current market.

In trade circles there is a feeling that rumors of approaching peace, even though actual peace might be long delayed, would have the effect of causing declines in prices. All this, however, applies to the future. At the moment the demand for all classes of goods is little short of feverish.

The bearing of this situation on investment markets is obvious. Under the present condition of speculative inflation in many stocks, any check to trade activity throughout the country would soon make itself felt in the stock market.

Our Foreign Relations

WITH the election out of the way, President Wilson is reported as ready to take up in earnest the ever recurring problems of our attitude toward Germany's submarine campaign and the Allies' blacklist and interference with our mails.

Germany has never admitted the correctness of our contention that merchant vessels carrying one or two small guns for self-defense come under the rule requiring visit and search and provision for the safety of crews and passengers. In fact, to admit this would almost nullify the effectiveness of submarine operations; for a merchant vessel carrying a gun at the bows and another at the stern is able to meet the submarine nearly, if not quite, on an equality. A single torpedo will sink the merchant vessel, but a single shot will sink the submarine. Under such conditions, if the submarine must show itself, warn the merchant vessel and provide for the safety of all on board before discharging a torpedo, its chances of joining that appalling number of submarines which have mysteriously vanished are evidently very serious.

On the other hand, the President's attitude is undoubtedly sound, as international law has been heretofore construed, and there is no reasonable expectation that he will retreat from it.

Another difficulty lies in deciding what constitutes a sufficient provision for the safety of crews and passengers. Is it sufficient that they be set adrift in small boats at a distance from land? This is evidently Germany's construction of the rule, but some loss of life is certain to result from such a policy. What will be the administration's attitude on this point?

The extreme delicacy of this situation has so far been almost ignored by the stock market, but in view of the present over-bought condition of the market in many issues, it certainly contains unpleasant possibilities.

The Labor Situation

THERE is every indication of a general fight by organized labor for an eight-hour day and it is clear that labor has the President on its side. Hence there is a strong probability that the eight-hour day will be made broadly effective ere long in numerous industries.

It does not seem likely that serious or widespread strikes will result. With foreign immigration almost shut off and an unprecedented scarcity of wage-earners in every industry, with a President and Congress ready to aid in establishing the eight-hour work period, with the unions stronger and more united than ever before, employers are hardly in a position to hazard strikes by stubborn opposition.

Without doubt the matter will have to be threshed out in the courts sooner or later—and it is very much to be hoped that it may be sooner, so that a long and painful overhanging uncertainty may be avoided. The law which was jammed through Congress largely for political purposes just before election, afforded no real settlement of the situation and will manifestly have to be overhauled before it is workable.

There are some industries where by speeding up as much work can be handled in eight hours as previously in nine or ten, but in others the eight-hour day will be equivalent to higher wages, notably in the case of the railroads. The whole question is simply one phase of the rising costs which naturally follow the tremendous advance in selling prices, and which must eventually operate to curtail business profits.

Position of the Rails

THE influences affecting railroad stocks are so contradictory that it is little wonder that the market is puzzled what to do with them. Earnings were never better. Since September 1 the increases over last year have not been so

great as in previous months, but that has been due to the fact that earnings last year began to improve sharply about that time. Moreover, in spite of rising costs the net earnings have been very nearly keeping up with the increases in gross, the proportion of net to gross being almost up to the previous good record since the war boom got under way.

New York Central, for example, will probably earn from 18 to 19 per cent. in the calendar year 1916; yet the price of that stock, after touching 114 October 5, drifted back to 106 on November 14, in spite of the fact that the industrial section of the market had in the meantime risen to new high levels. Similar figures might be quoted on other issues.

A year ago over 40,000 miles of railway were in the hands of receivers. Reorganizations, greatly assisted by the big earnings, are progressing favorably and with much less sacrifice to investors than might have been expected.

But investors hesitate to buy railroad stocks, no matter what they earn, because of the troublesome problems ahead, and speculators are dazzled by the still greater earnings of the industrials and the sensational advances in their prices, so that they regard the standard rails with disgust.

Among the troubles of the roads may be enumerated:

The eight-hour law.

Serious congestion of freight.

The necessity of adding to equipment at very high prices.

Scattering foreign liquidation still continuing.

Rising costs of everything a railroad buys.

Difficulty of selling new securities in competition with foreign bond issues of very high yield.

The present big earnings of the roads are due to their ability to handle with their previous equipment the increased business growing out of the war. But investors feel that this condition must prove temporary, while speculators prefer to buy the stocks of companies which can increase the price of their product to correspond with rising costs—something the law prevents the railroads from doing.

Character of the Present Market

A BIG public speculation encouraged by the activity of pools in the various specialties—that fairly describes the present stock market. The boom in war stocks a year ago was composed to an unusually large extent of cash buying. It was speculation, but a different kind of speculation from that now going on. The "general public" participated in it only to a limited degree. Insiders, capitalists and speculative investors were the leading buyers.

This year we have a much wider distribution of speculation. Thousands who watched the war boom of last year without having the courage to participate in it, are now taking hold on margin in the expectation of realizing at still higher prices. The copper and steel stocks which have led the present advance are of a character to attract a miscellaneous following. Never before, for example, since the very early days of that corporation, has so much Steel common been in the hands of Wall Street banking and brokerage houses. Fluctuations, while wide enough to be interesting, are not of the dizzy style that made Bethlehem Steel and General Motors household words a year ago. The average small speculator feels comparatively safe in this year's market.

Every such speculation has the same end. The only question is when it will come—and that is, of course, a most difficult question to answer. It is not at all difficult, however, to see that this extensive margin buying at very high prices creates a vulnerable condition of the market and that genuinely bad news would necessarily result in hasty selling which the market would be poorly prepared to absorb.

Horoscope of the Steel Industry

What the Aftermath of War Will Bring—Europe's Dangerous Efficiency—Exports Will Decline and Railroad Tonnages Decrease—Labor Must Be Liquidated

By DR. WILLIAM T. PARTRIDGE

Formerly Western Editor, *The Iron Age*

THE sun was on the ascendent, and Mars, the ruler of the rising sign Aries, was high in the midheaven when the steel industry was born in the United States, in the troublous days preceding the Civil War. The moon, exalted in Taurus, was in conjunction with Uranus in the house of finance, and trine to Jupiter in Virgo, in the house of enterprise.

Being interpreted, these signs denote that the infant industry, born of fiery parents, is endowed with vigorous health and possessed of a vast fund of dynamic energy, calculated to be expended sometimes in too strenuous activity. The close relation of the planets in the house of finance, portends sudden and violent changes in material fortune. This little fact portrayed by the stars, is graphically expressed in Andrew Carnegie's famous epigram—"Prince or pauper"—concerning the industry, which is now as familiar as a proverb without as well as within iron and steel circles.

Present Prices Abnormal

The formation of the United States Steel Corporation, in 1901, marked the passage from infancy, and to-day, the industry is in its young and vigorous manhood. In looking into the future some knowledge of the past is essential, and few need to be reminded that time and again depression has succeeded a "boom," and in turn, exaltation of trade—such as is present today—has been followed by cold furnaces and silent mills. When consumption has outstripped productive facilities, money has been spent freely in extending old and in building new plants. This phase is witnessed today, in the feverish haste with which new capacity is being provided, to reap the harvest of profits to be derived from the highest prices ever known.

It must be recognized that the prices now prevailing for all iron and steel products and for the raw material from which they are made, are abnormal and therefore, are unhealthful. When the exciting cause of the distemper—the war in Europe—ceases to act, a reversal in the price movement will follow. The downward tendency will be more or less painful and doubtless will be accompanied by fluctuations more or less violent and a level as far below the normal as present prices are above it will be reached. Artificial barriers, however, are likely to be interposed, which will check a too rapid descent in prices, but the adjustment is apt, therefore, to be only the more prolonged. The largest interests, as in previous periods of a somewhat similar character, are sure to utilize the weight of their influence to modify or to prevent a too precipitous decline, but they cannot prevent the inevitable radjustment to the fullest extent. Of course, in this process, time will be an important factor, and the period will be measured by years rather than by months.

Labor a Vital Factor

Probably the most vital element to be considered is the attitude of labor, now, and in the future. The wage scale in the industry to-day, is at the maximum rate; the plant operatives are sharing fully with the operators and with the stockholders, the unparalled prosperity in all branches. The present enormous net revenues of the steel companies permit this generous distribution. Unfortunately, higher wages and shorter hours have proved to be demoralizing to many skilled

workers and inefficiency has followed, adversely affecting all concerned. As an illustration, witness the state of the steel fabricating shops to-day; running only 50 to 80 per cent. of capacity, whereas, orders are in hand that would permit all shops to employ full capacity; but labor holds back. The shops cannot be manned with a full complement of mechanics because labor, receiving as much for four days work, now, as it formerly did under ordinary conditions for six days' effort, insists upon working intermittently. Any remonstrance against errors of omission or of commission is taken as an affront and followed by labor migration. This movement is fostered by the necessities of other manufacturing plants, where positions are widely open to the recalcitrant men.

This, or a similar state, prevails in other branches of the industry, but is modified by the peculiar conditions incidental to the particular phase of labor involved. Thus, it is evident that the direct rays of the sun of prosperity are enervating to continued diligence. The stage of stimulation, resulting from the first application of higher wages and shorter hours, has passed into the second stage of anæsthesia—inappreciation and indifference.

Of course it is not meant that this attitude is taken by a majority of the steel operatives, otherwise, the wonderful achievements of the industry in the past year would have been impossible, but the disease of inefficiency now attacking labor is sufficiently prevalent to be deplorable and to demand attention.

Aftermath of War

In the post bellum days, when inordinate profits will have shrunken, as a combined result of a reduced volume of business and of a decline in prices; when dividends will have been cut and productive capacity predominates over consumptive requirements, labor of necessity will have to carry its fair share of the burdens imposed by the new conditions. This means that wages will be sharply reduced and usually a downward revision of the wage scale leads to discontent, no matter how necessary and justifiable may be the action taken. Should the industry be as profoundly depressed within a year or two after the war as it was during the six months immediately preceding the beginning of hostilities—and there is reason to anticipate such an outcome—labor will be sadly distressed. Not only will wages be reduced, but many men will be doomed to enforced idleness.

It will be recalled that in October and November, 1914, before the war demand for steel had awakened, only one-fourth of the productive capacity of the blast furnaces and steel mills was active. The United States Steel Corporation in November of that year, produced only 480,000 tons of ingots and 360,000 tons of rolled steel, and orders booked were distressingly lean —only 217,560 tons. Dread of destructive competition in the previous six months—portending lower and lower wage scales to reduce productive costs —held the trade in a vise; domestic orders were withheld in expectation of much lower prices for all commodities (resulting from the Democratic tariff provisions), and foreign trade was almost at the vanishing point.

In the following month, came the first substantial war order, and with it hope for the future revived the drooping industry. With the disappearance of the threatened inundation of foreign products, the danger of lower and lower wages was removed, or at least, held in abeyance until after the war when new conditions, temporarily, will postpone its full effect.

With the advent of 1915, the tide of business turned and with each succeeding month rolled higher and higher; prices increased rapidly, and to-day, the advance ranges from $20 to $40 per ton from the lowest level in 1914. In November, 1915, the United States Steel Corporation booked orders for nearly 2,250,000 tons of rolled steel products, a gain of 1000 per cent. in one year. Last month, October, 1916, the

Corporation bookings were almost as great—1,842,000 tons. These facts and figures apply with equal force to the independent steel companies.

Forecasting the Future

In looking into the future, the significance of these developments becomes apparent. In ordinary times, the United States Steel Corporation exports about one-tenth of its total production of rolled products. In the past year, the proportion increased to 18 to 20 per cent., but before the war, probably two-thirds of all steel sent abroad, was exported by the Corporation, while to-day, not more than one-half of the steel exports, it is understood, originate with the Corporation. These percentages apply to tonnages and from the standpoint of values the proportion between domestic and foreign business is but slightly disturbed. There is reason to believe that when the Government returns are complete, it will be shown that practically 25 per cent. of our rolled steel production in 1916, went abroad. It is estimated also, that fully 25 per cent. of the steel contracted for by domestic consumers this year has been to cover foreign orders, and eventually will be exported. Thus, it is indicated that about one-half, possibly more, of the steel orders booked this year, were derived from foreign sources and probably 40 per cent. were due, either directly or indirectly, to the great war.

End of War Orders

These facts furnish a foundation upon which to build expectations of the conditions to be prevalent in the industry when the sorry belligerent nations are restored to peace. Then, war orders will cease, which means the cutting off of 50 per cent. of the business upon which the United States Steel industry today is thriving. Domestic business also, will suffer sympathetically. Foreign trade will not cease. It seems probable that this country will continue to have a modest share in furnishing material needed in the work of reconstructing Europe's ravaged industries if peace prices are substituted for the war rates now prevailing. France, and Belgium especially, will need American aid in proportion to the vigorousness with which they push the rebuilding of their dismantled iron and steel furnaces. The finishing mills in France, however, are probably in better form than in July, 1914. The British and German steel plants, due to the vast and urgent needs for war munitions, have been kept in prime condition. Great Britain, with many unskilled workers, is producing today more products than before the war, when all her artisans were employed. This accomplishment has resulted from the scientific organization of labor and the employment of the most modern machinery, permitting intensive production. Incidentally, it is interesting to note that the introduction of American machine made tools—valued at $1,000,000,000—has contributed to this industrial feat. The new and efficient methods now in use, are not likely to be abandoned after the war, although Union labor must be mollified when the manufacture of war munitions ceases. Evidently, Great Britain will not lean upon the steel trade of the United States after the war, but rather will supply her own colonies in larger volume and lend equally efficient industrial service to her Allies. German competition in neutral markets, it is assured, will be as keen and as vigorous as before the war and may be intensified. Her domestic requirements are likely to be speedily satisfied.

Foreign Efficiency

It is a significant fact, that while American labor, secure, complacent and prosperous, has shown a tendency to grow lax and careless of present opportunities to prepare for the future, European labor, under the stress of war conditions has attained an unusually high degree of efficiency. Foreign workmen forced by necessity to practice the virtues of fortitude, frugality and perseverance and guided by masterful and skillful minds, were never so well prepared to successfully meet the industrial problems that may

arise when the belligerent nations are released from military control.

In the past two years, the United States, favored by political developments abroad, and in the face of administrative blunders at home, has grown in wealth and been showered with international industrial opportunities. American goods have found their way into all markets of the world, free from competition. In fact, the whole world has come to us for supplies. There has been no trade conquest under difficulties that develop commercial virility, all foreign doors have been opened wide to American commodities. A radical change will come when other nations again enter the export field.

There is not the slightest doubt, that American capital was never so abundantly able, and banking facilities were never so ample to secure and to hold foreign trade, as they are to-day. American labor, too, has the potential strength, the mechanical ability, and the inventive genius to support the hands of capital in successfully meeting foreign competition, but there must be readjustment to conform to the oncoming political, social, financial and commercial events that are now projecting their shadows into the arena of the present. The prospective readjustment is viewed with much concern by the steel trade generally, as entailing sacrifice by both labor and capital. If such conditions as prevailed early in 1914 are renewed in 1917, there is reason to anticipate a period of poignant adversity for the steel and iron trade.

After due consideration of the various developments likely to affect the steel industry when war contracts have been fulfilled, it would be natural to expect various plants to limp along at a 50 to 60 per cent. gait until there is a full adjustment to new conditions.

While prices are being restored to a normal level, an unsettled period of longer or shorter duration is almost certain to be experienced, and if cancellations of contracts are permitted in the future as in the past, even some demoralization mav be expected at home, irrespective of what our relations may be with foreign countries.

Effect of Peace on Railways

The great transportation interests, touching every phase of our multifarious, industrial and commercial life will be profoundly and adversely affected by the sudden withdrawal of the export tonnages now supplementing domestic traffic to a high degree. Exchanges of commodities at home, too, will call for smaller service by the railroads. The necessity to buy equipment will have passed and instead of the present pressure upon the steel mills to furnish bars, plates, shapes and forgings to build cars and locomotives, the mills will be seeking new outlets for 25 per cent. of their capacity, which represents the railroad takings to-day. Idle cars and silent locomotives are eloquent orators of a dull period. The steel trade will sadly need outlets into international channels at a time when the finger of destiny points to a necessity for exercising unusual alertness in guarding our home trade doors.

The unprecedented earnings of the steel companies in the past two years will seem even greater when viewed in perspective and when compared with the returns from business in the prospective dull period after the war. The probability is that both labor and capital in the United States will be compelled by the necessity for self preservation in the future to exercise more fully the virtues that have come to the stricken Europeans through the horrors and through the glories of the great war.

The answers to all of our questions concerning the future of the steel industry may be written in the stars, but as the messages must be translated into terms of the human equation, there is a strong element of doubt, based upon the fallible judgment of the astrologer. It is unwise, therefore, to place full reliance upon aids extraneous to reason and to common sense. The horoscope of the steel industry, however, may be relied upon to point out trade tendencies and to call attention to salient opportunities that if energized may avert disaster.

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Is Dollar Cotton Probable?

Twenty-One Cent Cotton Has Not Checked Demand—Cotton Famine May Come—Consumption Must Decline or Prices Rise

BY O. D. HAMMOND

THE government report estimating the crop grown in 1916 will not be published until early in December, but from private sources it is very generally known that this crop including linters, will be somewhere around twelve million bales of total growth. In advance of the government figures and for the purpose of this article we will not be far astray if we assume a crop of 12,000,000 bales of an average weight of 500 pounds per bale.

By a report issued in Washington on November 14 the government shows the cotton consumed by American mills in October was 555,349 bales, excluding linters, as compared with 500,762 in the same period last year [an increase of nearly 55,000 bales for one month].

Linters consumed for the month of October amounted to 66,708 bales.

Total consumption by the spinning industries in the United States was 622,057 bales for the single month of October.

At this rate the annual consumption of American grown cotton by the American textile manufacturers would be 7,464,684 bales.

On November 15 the Census Department issued a supplemental report of intense interest to the cotton trade in which it announced that in addition to the above figures dealing with cotton consumed by American cotton mills there were consumed during the past three months by the manufacture of explosives within the United States 133,982 bales. This amounts to 535,928 bales for a period of one year.

Inquiry among American naval and army officers as well as among representative manufacturers of explosives seems to justify the assertion that the United States is not supplying more than twenty per cent. of the explosives now being used on the firing lines in the "great war." Thus the best available figures would indicate that the canon's mouth is belching forth 2,679,640 bales of cotton each year. This is an extraordinary use of cotton and must be separated from all comparisons of figures of recent years.

Of course in the present exigencies of war, explosives supersede in importance every other use of cotton. The guns must be fed even though the gunners be forced to go naked for lack of clothes. If our crop of cotton then is to be but twelve million bales, and the extraordinary uses imposed by the demand for explosives is 2,679,640 bales, there will be left for the ordinary every day peace time uses of cotton 12,000,000—2,679,640=9,320,360.

An American crop available for spinning of 9,320,360 bales plus the Indian and Egyptian crop is the measure of the world's available supply. The Indian and Egyptian crops are both short and can

do no more than supply their usual functions, hence they are eliminated from these calculations.

We have shown above that based on the present rate of American consumption the United States would use within her own borders 7,464,684 for cloth and explosives, out of which 6,664,188 bales would be consumed by the cotton mills. Then having set aside 9,320,360 bales for the peaceful uses of cotton our equation reads:

9,320,360—6,664,188=2,656,172

which represents the exportable bales for spinning purposes.

In times of peace our exports in recent years have run somewhere in the neighborhood of seven million bales on an average which might well be taken as a normal export figure. The exports in the last year of peace [1913-1914] were 9,036,026 bales out of an enormous crop. This was, however, an exceptional year and 7,000,000 is perhaps a more accurate measure of the world's peaceful demands upon the American crop. Our equation then comes down to the impossible, 2,656,172 bales of peaceful cotton to supply an average demand of 7,000,000 bales:—2,656,172—7,000,000 = — 4,343,828, which is to say we will fall short 4,343,828 of supplying the demands now being made on us for raw material.

These figures as tabulated show our insolvency at a glance.

It will be the middle of August, 1917, before cotton of next year's crop can arrive at the mill in any appreciable quantity. Assuming that the above rate of consumption based on the present rate should continue, then *by May 9, 1917, there would not be left in America one single bale of the* 1916 *crop available for spinning purposes.*

In the ten years prior to the Civil War the average crop was about 4,000,000 bales annually. During the Civil War a crop of 2,300,000 bales was the average. Hence a shortage, at that time, of 1,700,000 bales ran cotton up to the official price of $1.90 per pound.

Now, if a shortage of 1,700,000 bales called forth a price of nearly two dollars in New York in 1864, what will be the measure in dollars and cents in 1917 of a shortage of 4,343,828 bales? Mathematically speaking and following out the problem to a mathematical conclusion on the basis of 1864, cotton should sell for $2.55½ per pound to run true to form.

Unless something happens within the next six months to restrict exports and consumption, cotton might easily reach any price imaginable. The man who owns the last few bales remaining on May 8 after the rest is all consumed, can write his own price in cents or dollars, according to his greed.

Of course the actual famine will never arrive. What does seem inevitable, however, is restriction of consumption by increasing the price. In October in the face of twenty-cent cotton the consumption increased over the previous October 55,000 bales. Thus twenty cents is a failure. It does not restrict consumption. Some other figure must be tried. If we try twenty-five cents and *that* fails, the only answer would seem to be to increase the price to fifty cents or one dollar per pound. *The supply is inadequate and cannot be increased. The price is inadequate and can be increased.* The supply is fixed and rigid and can't be stretched. The price is elastic and must be stretched to prevent a famine.

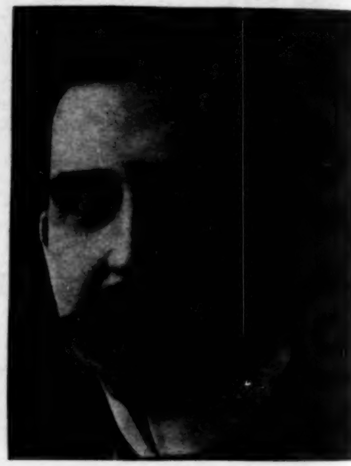
INDICATED COTTON SHORTAGE.

Total estimated crop		**12,000,000**	**bales**
Less explosive requirements		**2,679,640**	
Amount available for spinning		**9,320,360**	
American spinning consumption	**6,664,188**		
Normal exports for spinning	**7,000,000**		
Demand measured by present rate of consumption plus normal exports	**13,664,188**		
Deficit		**4,343,828**	

Industrial Leaders Series

Percival S. Hill

A Tobacco Crown-Prince Who Nearly Became King — Why and How He Has Builded a Great Fortune—His Business Beliefs and Business Methods



PERCIVAL S. HILL

By ARTHUR B. MacATTAMMANY
(Editor of "The Retail Tobacconist")

PERCIVAL S. HILL is the president of the American Tobacco Company —that is a distinction that places him high even in the realm of his business. But the presidency of the American Tobacco Company is not a title that signifies so much today as it did once. There has been a split up by the United States Supreme Court and instead of the American Tobacco Company being the all-in-all as parent company of the great tobacco combine, it is but one independent arm of four, each as near evenly divided as the United States government deemed practicable. The disintegrated parts are now known as the American Tobacco Company, P. Lorillard Company, the Liggett & Myers Tobacco Company, and the R. J. Reynolds Tobacco Company. Each of these main companies has subsidiaries in turn under various corporate names.

Those four main branches of the old tobacco combination are constrained to maintain separate staffs of salesmen; to have no interlocking directorates; to compete in open market against each other for business; and to have no secret or public relations of a business nature whatsoever.

Why Hill Did Not Succeed Duke

Thus we see why Percival S. Hill did not logically succeed James B. Duke as "the tobacco king," when the latter decided to retire. The court wouldn't let him; though, by a "natural survival of the fittest," Mr. Hill would have been the logical candidate for the toga, and possession within the ramparts of the old American Tobacco Company was more than nine points of the law, if brains and energy went with it.

Several years ago Mr. Duke's physicians informed him that he would have to stop smoking and the everlasting chewing of scrap tobacco or he would be a dead man within two years. Mr. Hill's specialist informed him that if he didn't cut out cigarettes and stop overworking he would be a physical wreck and unable to attend to business at all. At that time the inner clique of the great "A. T." Company wondered what was going to happen and whether the tobacco corporation

would be crippled for the want of an efficient hand at the helm. This is what happened: Mr. Duke stopped smoking for one year when his physicians told him he could smoke again; and, aside from extreme nervousness, which caused him to leave his Fifth avenue offices earlier in the afternoon than usual, he suffered no ill effects from the reaction—result after one year—he is in good health (thanks to the rest that comes from retirement) and he is smoking big black cigars again. Mr. Hill did not go to that extreme, but he did switch from a heavy allowance of cigarettes to three cigars a day. For a short time he favored himself on the score of less work, but he is at it again hammer and tongs.

A Big Business Man

Percival S. Hill is a big, strong, energetic man of business; extremely successful on the whole; an exacting executive but one who can be most courteous when he thinks the occasion requires it. Mr. Hill regards every man under him a pawn in the great game of business chess. There is no sentiment in Hill during business hours. He believes in "the survival of the fittest."

Percival Hill is a prodigy of Thomas Fortune Ryan. He learned by heart every axiom that was implanted in him by that famous financier of New York and Virginia. Mr. Hill bore the brunt of the attack in the case in equity instituted by the Federal Government against the "A. T." Company. James Clark McReynolds, former attorney general, and now associate justice of the United States Supreme Court, was special assistant to Attorney General Wickersham in the prosecution of the tobacco combination and all individual defendants therein. Judge McReynolds had Mr. Hill on the stand for several days. The witness was made most uncomfortable, and for a reason that was a credit to him in a sense, for he was shown to be the busiest man in the tobacco combine. Hill, ever the horse in harness—the routine worker—the man whose authority was exerted everywhere and in all departments; it was he who had the greatest volley of questions to answer. It should be recalled that the American Tobacco Company turned over all files of correspondence, all contracts and all agreements to the government prosecutor. It was by Duke's orders that such a delivery was made. Said he at that time: "Turn over everything they want. If we're doing wrong we'll soon find it out and I want to know myself."

The result of that concession was that Prosecutor McReynolds had great batches of correspondence.

Good business man that Mr. Hill is, he is not versed in the subtleties of examination as practiced by such acute attorneys as McReynolds.

Keeping the "Other Fellow" in the Dark

One rather remarkable phase of Mr. Hill's business system came to light during his examination on the stand. It appears that he believes in keeping his own executives in ignorance of all situations which do not concern them directly; and even at times when such situations do concern them.

Percival S. Hill is far-sighted as well as practical. He is one of the principal backers of that propaganda that is designed to secure the passage of the Stephens price-maintenance bill. He has studied out before hand the effect and result of such a bill upon his own business interests. He knows now what he will do if it becomes a law.

It was Mr. Hill who brought into being, in September, 1915, the new Tobacco Merchants' Association of the United States. That involves a little explanation. Some years ago Mr. Hill was the cigarette man of the American Tobacco Company. He was the kingpin wherever the "paper rolls" were concerned. After the dissolution decree of the government, the American Tobacco Company held some of the more popular brands of cigarettes, but the Lorillard branch took over a few of the big winning brands; so did Liggett & Myers. Lorillard reduced prices to the jobber and retailer two years ago; that, and the fact that the Lorillard brands have come to the fore, much to the detriment of the "A. T."

products, has resulted in an eclipse of Mr. Hill as the whole thing in the cigarette industry. For instance, Pall Malls were great big sellers several years ago; that's a brand of Hill's "A. T." Company; Egyptian Deities, as manufactured by the Lorillard Company, was far behind Pall Mall; now the Deities have multiplied in sales several times, while the Pall Malls have fallen far behind. On the other hand the Liggett & Myers Tobacco Company has sprung "Smokarols," that cigar-shaped pipe which receives the tobacco wrapped in tissue, or in cartridge form; that concern also has developed some popular cigarette brands as well. Now for the R. J. Reynolds Company. It has made a big success in cigars and tobacco, and it was the concern that was a thorn in Hill's side even before the government disintegration. Be it known that the Reynolds family is rich; that it held on to 51 per cent. of the Reynolds company stock even after it delivered 49 to the old "A. T." Company. This will go a long way towards explaining why R. J. Reynolds protested against the Smokarol of the Liggett & Myers Tobacco Company, on the ground that the cartridge form for pipe filling should be subject to the higher tax imposed upon cigarettes and classified as a cigarette, because of the resemblance. Each company filed briefs before the collector of internal revenue on the point, but Mr. Reynolds' objection was not sustained.

Now keep in mind that these subdivided branches of the old Tobacco Trust have the same stockholders that they always had, though each old "A. T." share is split up fractionally and applied to each branch. Remember that while these big business divisions still compete in open market the stockholders do not want one to do anything needlessly that would injure the other. In the sense of ownership it's "all for one and one for all." People not initiated gasped when Reynolds made the objection before the collector of internal revenue concerning Smokarols. "Now they're beginning to fight as Wickersham said they would," said the unknowing. But they had not been informed that Reynolds, as a majority stockholder of his own branch, did always fight the other branches and the "United" whenever he thought that occasion warranted.

Why American Tobacco Stock Declined

It is thought that Mr. Hill wants a cooperative tobacco trade association composed of all elements of the trade in order that he may correct abuses not only throughout the trade in general but among his own branches, with whom he does not dare to deal direct because of the Supreme Court decree of 1910.

These, too, are reasons why the American Tobacco stock dropped some months ago; and why it was thought that the earnings of that company did not justify the belief that the uniform percentage of dividends would be continued throughout the year. Mr. Hill at that time made a long explanation in the public prints and advanced certain convincing reasons why his company would be in a position to continue the same ratio of payment in dividends. Wall Street is familiar with the statement and seemed to be impressed by it.

More recently Mr. Hill has again demonstrated his originality and love of the novel experiment. Mr. Hill early last September announced that he would divide the placing of his company's advertising among a number of agencies, instead of having one agency get out the "copy" for all of the brands of cigarettes, cigars, tobacco, snuff, etc., as advertised by his company in papers and magazines. Heretofore, Mr. Ben B. Hampton has had charge of all this advertisement writing, through the agency which bears his name, and Mr. Hill avers that the service was most satisfactory. But this is Mr. Hill's idea: That an adv. writer who gets up copy for one brand of cigarettes, will turn to another like product with the same mental bent and line of thought. Hill prefers rivalry—competition in copy production. He wants variety; thus can he gauge the efficacy of each agency involved in copy production.

About two years ago Mr. Hill made another daring move. It was this: All of the products of the American Tobacco Company which were sold in Greater New York were handled through the Metropolitan Tobacco Company, as exclusive jobbing agent. Whether Mr. Hill feared that the department of justice was to make a move or not, he did a drastic thing. He "opened the New York market" to all jobbers, big and small, so that the little man with one wagon could handle the products of his company. Mr. Hill claims the move proved unprofitable and unbusinesslike. He has, therefore, closed the market once more and constituted the Metropolitan Company his exclusive jobbing distributor again. Meanwhile the independents are bellowing for the reopening of the same and a number of briefs have been filed at Washington on that issue.

Not Popular With Independents

Mr. Hill is not popular with the independents of the tobacco trade. Perhaps one reason why he faces so much rivalry among his old associates in cigarette manufacture is due to the fact that he was called upon by James B. Duke several years ago to undertake the supervision of all cigar manufacturing of the American Tobacco Company, and thus he ceased to concentrate on the cigarette end. Here is where a little human interest really worthy of repetition comes in.

James B. Duke came down to the offices of the American Tobacco Company, on Fifth avenue, New York, one day, and was very much disgruntled. Up he walked to Mr. Hill. Said he: "Hill, I'm tired and sick of hearing it said that our cigars are no good; that the independents make better cigars than we do. I can't go into a club or a hotel in this town without hearing somebody roast our cigars. Now I wish you'd take over the management of all the cigar factories that we have."

"If I can have the men that I want and can discharge those I don't want, and can go ahead without interference I'll take up the work," replied Mr. Hill.

Duke waved his hand. "Oh, of course," he said.

Mr. Hill got busy. He hired the biggest leaf tobacco man he could engage right from the tobacco section in Water street, New York; he went to Havana, Cuba, and hired the biggest cigar manufacturer that he could procure; he reorganized the factory of the "A. T." Company at Key West, and those factories of that company in New York, New Jersey, Chicago and other places. He fired as many as forty men in a week—many of them basking in the benevolence of Mr. Duke himself. These especially favored Southerners (and they were mostly all from Dixie, as is Duke) all appealed to "James B." in a panic. But Duke is a sport—at least he is a man who never breaks his solemn word as given to an intimate business associate.

Succeeded Where Others Failed

Mr. Hill has succeeded in cigars where all others in the big tobacco combine have failed. The reason most often given for the old Tobacco Trust's failure in cigar manufacture was that its various products lacked individuality; that all the leaf was bought from the fields for the several factories in unison; therefore there was no taste or skill in the selection—for bales were parceled out to each "A. T." Company according to the size of the establishment. The superintendent took what was given to him and could not complain. On the other hand, the big man in the independent factory tests his own leaf, and often spends weeks in his selections; he dons overalls and descends to the factory cellar; he inspects casing, stripping, cigarmaking—everything. Cigar manufacture is an art with him—not a helter-skelter business. Mr. Hill has copied the methods of the independents. He could not have hired the independent manufacturers and leaf men that he did except on their own terms. They get big salaries and suitable percentages. Mr. Hill is big and liberal when he must have his man, though he and all of his associates believe in low salaries to routine men, and small pay for those who can be easily replaced.

Percival S. Hill is many times a millionaire. It is difficult to estimate the size of his fortune. His personal affairs are enshrouded with much secrecy; in that he follows in the footsteps of his preceptor, Thomas F. Ryan. But it should be remembered that there are several big men in the tobacco industry today who have tremendous fortunes. Duke is not the only multi-millionaire in the industry by a long shot. Mr. George J. Whelan, head of the United stores, and of other big things, openly boasted of an income of $7,200 a day. He is worth from 40 to 60 millions; Mr. W. W. Fuller, as stated in The Magazine of Wall Street in a prior issue, is worth over 50 millions; and certainly Hill, who, as a business executive, is a bigger man than either one of those gentlemen named, must have as much and probably has considerably more.

Twelve Years Ago

Twelve years ago no one even suspected that Mr. Hill would be the head of the American Tobacco Company—least of all Duke. At that time, Mr. J. B. Cobb, now prominent in drug circles, was president of the American Cigar Company, a subsidiary of American Tobacco. Mr. Cobb drew a salary of $75,000 a year. Duke was talking to a close friend in one corner of the "A. T." headquarters; Cobb stood at a distance. Duke turned to his friend and, pointing to Mr. Cobb, said, There's the man that's going to fill my shoes as head of this company." But Duke's prophecy did not materialize. Mr. Cobb resigned a few years thereafter, and Mr. Hill steadily loomed up as Duke's logical successor upon the retirement of that tobacco-king-that-was.

Mr. Cobb's failure to popularize the various cigar brands of the American Tobacco Company was said to be due to his great, big heart; for he had consideration for every one and tried to follow out the friendly advice that was handed to him from every direction of the compass.

No Use for Society

In conclusion it may be said that Percival S. Hill is a business man, first, last, all the time; day and night. Clubs, sports, society—everything else he does not care for and has no time for them. Mr. Hill minds his own business all the time, but his interests are so vast they keep him extremely busy.

Mr. Hill and Thomas F. Ryan are now said to be in the "movies" as the backers of Ben B. Hampton, who has recently plunged into the moving picture arena in that big and dynamic way so characteristic of him.

PREPARING FOR THE COMMERCIAL STRUGGLE

The country is now in the shifting sands of a temporary prosperity, and at the same time is apparently ignorant of the undermining operations that are constantly going on. It is manifest that some of those who profess properly to guide the destinies of labor have blinded themselves to the obvious fact that after the war this country will have a struggle for commercial supremacy on its hands. Industrial conservation calls on the nation to prepare for what is coming. Is labor preparing? Is labor learning a lesson of thrift? Is labor putting away some of its extra gains for the proverbial rainy day? Many so-called labor leaders have for the past three months been sowing the seeds of what it calls a "prosperity strike." Labor's great power is being misguided. If every labor man in this country struck against free trade and for a protective tariff, there would be some reason for such action. But to make a show of its strength at a time when its aid is sorely needed is merely representative of the usual frame of mind of selfish and short-sighted leadership.

Like going into battle with raw recruits, would be our facing Europe for world-wide trade after the war without a closer degree of co-operation between labor and capital.—George Weiss in *Forum*.

MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

Many New Enterprises

Exceptional activity, according to the statement prepared by *The Journal of Commerce,* is noted among promoters in the formation of new enterprises. This is indicated in the October incorporations in the eastern States with a capital of $1,000,000 or over, which represented a total of $303,768,700. With the exception of February last, when the charters filed involved $365,995,300, the past month's output is the largest in years.

The grand total of all companies with a capital of $100,000 or over, covering all States, including those of the East, reached the large total of $365,050,700, against $174,933,000 in August and $420,680,500 in February. The October figures a year ago were $266,701,000.

Following are the comparative figures as specially compiled by *The Journal of Commerce and Commercial Bulletin* of companies incorporated in the eastern States during the last three years with an authorized capital of $1,000,000 or more:

	1916.	1915.	1914.
Jan. ...	$270,995,000	$51,150,000	$120,050,000
Feb. ...	365,995,300	53,950,000	51,575,000
March .	194,750,000	70,050,000	57,700,000
April ..	166,650,000	32,200,000	136,185,000
May ..	209,735,000	78,950,000	62,700,000
June ..	264,350,000	181,247,100	70,050,000
July ...	217,662,500	71,100,000	68,700,000
Aug. ..	113,472,000	67,100,000	50,600,000
Sept. ..	164,700,000	286,625,000	54,800,000
Oct. ...	303,768,700	208,695,000	35,487,500
Total	$2,271,069,500	$1,101,067,100	$707,847,500
Nov. ..	....	190,075,000	81,650,000
Dec. ...	....	135,125,000	105,450,000
Total	....	$1,426,267,100	$894,947,500

The Boom in "Coppers"

During the week previous to election there began something very like a boom in the copper stocks, which was apparently based upon a belated realization that these producers have been making a great deal of money, have been accumulating huge surpluses and have become, moreover, sure of a further large profit in 1917 by virtue of the sales that already have been booked, remarks the *Engineering & Mining Journal.* This led to a sort of riot in speculation. Once the fever is contracted, reason is lost.

The conservative person who coolly figured that Utah might be worth intrinsically 95, let us say, is apt to lose his balance when it rises to 130, forgets what he used to think and begins to contemplate that it may go to 150.

—Philadelphia *Evening Ledger.*

"NO NEWS AT ALL, EH? THE BEST NEWS THERE IS!"

Oft course there has been talk about increased dividends, extraordinary Christmas extras, etc. That is all right within bounds, but there is enough uncertainty ahead to cause copper managements to be conservative, even if they have already sold at high prices a large part of their expected production in 1917. Nobody knows what is going to happn as the war draws toward a close. The wisest thing for every company is going to be to have a big surplus of cash when that time comes.

High Prices World-wide

Prices in foreign countries continue to advance just the same as in the United

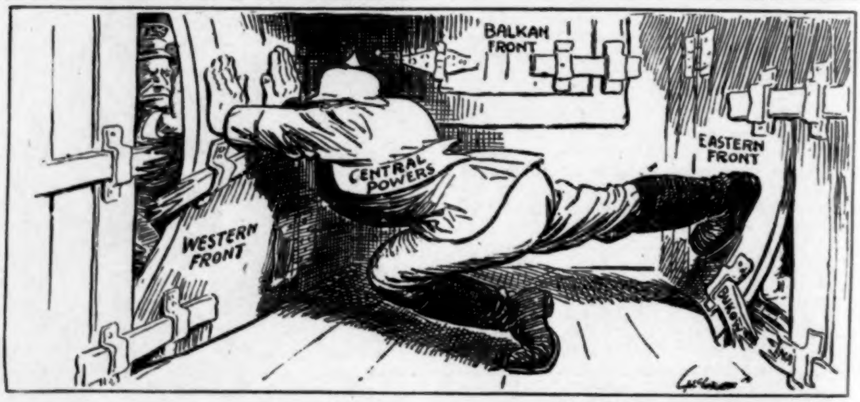
States, and for the same reason. A compilation by the foreign trade department of the *National City Bank of New York,* issued recently, showed that prices abroad on a large percentage of the articles imported into the United States had advanced greatly since the outbreak of the European war. The compilation, which covered a considerable variety of articles, including foodstuffs, manufacturing materials, and manufactures, showed that the most striking advances had occurred in foodstuffs and manufacturing materials.

"You would scarcely expect," said the bank's statement, "that the natives of Haiti and Jamaica, which furnish most of our logwood, could be so fully 'onto' the situation as to demand, and get, three times the price per ton for their logwood as they did before the war, but they are demanding it and getting it. The indigo growers and merchants of India, Java, and San Salvador are demanding and getting ten times as much per pound for indigo as they did before the war. Chinese and Japanese silk growers are getting double the prices prevailing prior to the war, and 'fresh' crash into the United States at double the prices of two years ago. A recent statement by the American consul General at Paris indicates that the imports of France in 1916 enter that country at prices about 90 per cent. higher than in 1914, and the exports leave that country at prices about 50 per cent. above those of 1914.

"Drowned in Gold"

The enormous inflow of gold into this country is engaging the earnest attention of the most prominent bankers in whose opinion the influx of the yellow metal is a serious menace to the commercial and financial community, comments the *Boston News Bureau.* A few days ago an active banker, who has much to do with the financing of our export trade, said: "The banking community is being drowned in gold."

During the 27 months of the war period, to October 31, 1916, imports of gold into the United States amounted to more than $945,000,000. This amount is greater than the total gold imports during the entire ten-year period preceding the war. In the single month of June, 1916, gold imports amounted to over $122,000,000, or more than in any entire year prior to the war, with the single exception of 1908. The amount of gold in the United States is now double that in 1904 and 40% more than at the beginning of the war.



—McCutcheon in the Chicago *Tribune.*

THE SUPREME TEST.

Many bankers with long experience in international finance perceive grave danger in such an overwhelming flood of gold. It must be remembered that under the new Federal Reserve system the $945,000,000 gold that has been added to the stock of gold in the United States is basis for credit to the extent of six times that amount; in other words, our credit limits have expanded to the extent of more than $5,500,000,000. The inevitable tendency is towards easy credits and inflation.

Railroad Earnings Still Large

With the figures for September in hand, one is enabled to say that the first nine months of the year have been the best ever experienced by the railways, observes *Bradstreet's.* In that period

gross earnings aggregated $2,631,100,-916, an increase of 21.8 per cent. over the like time in 1915, while net revenue for the three quarters ending with September of the current year amounted to $825,813,051, a gain of 33.8 per cent. over the corresponding time in 1915. On the face of things, the exhibits for the whole of 1916 will furnish new high records.

The showing for September as regards gross earnings, operating expenses and net earnings follows:

	September, 1916	September, 1915	Inc. p. ct.
Gross earnings..	$325,138,998	$287,335,137	13.1
Operating exp'ses	212,190,301	184,553,784	14.9
Net earnings...	$112,948,697	$102,781,353	9.8

By grouping the figures respecting gross earnings this exhibit is obtained:

	September, 1916	September, 1915	Inc. p. ct.
Northwestern ...	$57,666,956	$52,154,435	10.5
Central western..	26,795,803	23,846,551	12.3
Trunk lines......	89,348,470	79,649,606	12.1
Coal roads.......	16,128,276	14,484,244	11.3
Eastern	17,561,669	15,351,471	14.4
Southern	34,522,287	30,903,741	11.7
Southwestern ...	37,232,560	31,469,552	18.3
Pacific	45,882,977	39,475,537	16.2
Total	325,138,998	287,335,137	13.1

The following table shows the trend of railway earnings over a period:

	Per cent. inc. gross, 1916	Per cent. inc. net. 1916	Per ct. inc. gross, 1915	Per ct. inc. net. 1915	Per ct. Dec. gross, 1914	Per ct. Dec. net. 1914
January	21.7	56.7	*7.7	*2.5	7.3	20.2
February	27.7	57.0	*.9	35.4	10.4	35.3
March	25.1	42.9	*6.6	1.2	.7	†3.1
April	22.1	39.0	*2.8	10.4	3.7	†.6
May	28.2	52.2	*1.1	23.9	9.9	17.2
June	21.6	25.4	*1.2	15.0	5.2	5.8
July	18.6	25.8	*.07	10.8	4.1	.5
August	21.1	28.1	1.4	10.7	4.5	†1.0
September ...	13.1	9.8	5.4	19.5	5.0	†.5
October	..	..	14.7	36.3	11.0	10.6
November ...	..	..	28.0	77.6	13.4	14.5
December ...	..	..	28.1	75.6	11.8	12.6

*Decrease. †Increase.

Huge Copper Production

Twenty-five leading copper properties produced a total of 1,484,159,718 pounds of copper during the first nine months of this year. It is needless to say this far surpasses any former record. This total includes the output from all the large mines, not only of the United States, but of Canada, Mexico and South American countries as well. American capital, however, dominates them all. This amount of copper represents mine and smelter output from January 1 to October 1, 1916.

—Chapin in the St. Louis *Republic.*
KILLING THE GOOSE?

The amounts of copper contributed during the first three-quarters of the year follow (pounds):

Anaconda	250,900,000
Utah Copper	146,029,386
Phelps-Dodge	*130,000,000
Cal. & Hecla	12,055,029
Kennecott	90,350,000
Inspiration	88,447,000
Nevada Cons	67,733,279
Ray Cons.	55,263,807
Cerro de Pasco	53,800,000
Chino	54,973,355
Cal. & Arizona......................	*51,000,000
Greene Cananea	44,916,000
Granby	32,986,042
United Verde	42,850,000
Miami	39,078,481
Arizona Copper......................	34,144,840
Braden	31,456,000
Old Dominion	30,222,000
Chile	30,356,000
Canadian Copper	*26,000,000
Quincy	*14,800,000
Stanton	14,351,369
East Butte	13,803,100
Shattuck Arizona	13,543,030
Cons. Arizona	7,101,000
Total	1,484,159,718

*Estimated.

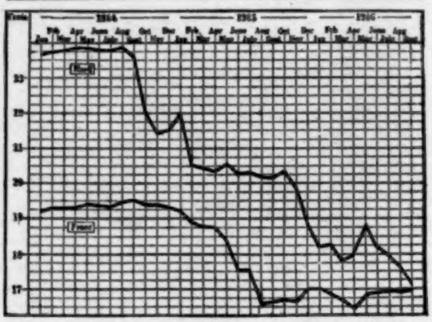
The output from the above-mentioned group was slightly smaller in September than in the preceding month. The principal loss was

2,200,000 pounds in the Kennecott yield—from 10,200,000 pounds in August to 8,000,000 pounds in September. On the other hand, Chino and Chile each scored an increase of 1,000,000 pounds.

Neutral Vessels Lost During War

A total of 308 neutral ships have been sunk by Germany since the beginning of the war, according to *Lloyds* record as published at London November 4. The list follows:

Nationality—	*No. Sunk*	*Tonnage*
Norwegian	168	212,314
Dutch	18	54,914
Swedish	47	42,779
Greek	22	41,540
Danish	38	37,324
Spanish	10	24,065
American	2	5,298
Brazilian	1	2,258
Portuguese	2	841
Total	308	421,333



—*Literary Digest.*

HOW EUROPEAN MONEY HAS DECLINED HERE.

The Portuguese vessels, it is stated, were sunk before Portugal entered the war.

"Europe Planning for End of War"—John Barrett

In a preliminary report made by Director-General John Barrett, of the Pan-American Union, after a visit to England and France for the purpose of studying commercial conditions and prospects, he says:

Not a government official, banker, general business man, or army officer would express a positive opinion as to the duration or end of the war, except that the majority plainly believed that it would last well into 1918 or even longer.

A most powerful semi-official organization and movement has been quietly but effectively started in both England and France, not only to make now an extraordinary effort to maintain their present trade with the Americas and regain what may have been lost during the first two years of the war, but to prepare ahead for a greater effort after the war in building up this trade than they ever made before.

Under conditions which amount to encouragement and almost to actual government aid, a large variety of industries heretofore little developed, and hence figuring slightly in the foreign trade of these countries, is being rapidly developed, and will surely play a prominent part in their future commerce and in competition with the United States and other countries.

"Need Educational Preparedness"—M. L. Schiff

The subject of "Educational Preparedness" from the viewpoint of a business man was discussed by Mortimer L. Schiff, of Kuhn, Loeb & Co., on the 15th inst. before the Association of Urban Universities at the College of the City of New York. "It is," said Mr. Schiff, "perhaps particularly appropriate at the present time in this crisis of the affairs of the world, when the future, yes even the present, is shrouded in so much uncertainty and doubt, for men holding different callings but pursuing the same ideals, to take counsel together as to how the growing generation may best be trained to cope with the serious problems which it will have to face and the situations which it will have to meet." We quote further from his remarks as follows:

In speaking of educational preparedness, I refer as much to training for public service, as for business. We need trained workers and intelligent citizens and these our educational system must provide. There are various kinds of national preparedness and educational preparedness is by no means the least of these. Discipline, thoroughness and efficiency are not only military virtues, but also requisites for industrial, commercial and civic success. The survival of the fittest still holds true and just as Rome fell because its people became decadent, so to-day, no nation can live whose citizenship is shiftless, inefficient and inadequately trained and educated.

Decline in Munitions Exports

Exports of firearms, explosives and other war supplies from the port of New York, as compiled by *Dow, Jones & Co.,*

from the original returns, amounted to $110,539,917 in October for the selected classes, against $127,941,352 in September and $144,423,456 in August.

Statistics disclose a falling off in total shipments of firearms and explosives during the last two months. Fuses and loaded projectiles, gained over September as well as cartridges and gun cotton. Firearms fell off from September figures.

The principal classes in the group of explosives and firearms follow:

	Oct.	Sept.	Aug.
Cartridges ...	$5,233,143	$3,677,465	$3,067,036
Cordite, etc...	200,297	13,983	669,516
Fuses	6,865,530	5,376,590	9,428,364
Gun cotton...	1,729,828	918,847	2,420,708
Projectiles ...	10,796,221	9,332,077	13,853,212
Sm'kl's powd'r	10,784,697	15,021,011	12,100,860
Empty shells..	1,028,150	1,105,646	3,371,845
Firearms	4,087,533	7,578,898	3,494,871
Other explos..	2,313,686	6,853,679	3,829,613
Total	$43,039,085	$49,878,196	$52,236,025

Comparisons by months for exports of firearms and explosives are given below:

1916		1915	
October ...	$43,039,085	December .	$34,887,757
September	49,878,196	November	24,930,271
August ...	52,236,025	October ..	24,753,623
July	58,565,274	September	17,250,378
June	50,452,521	August ..	12,882,755
May	52,947,635		
April	52,236,948	Totl, 15 m.	$602,952,889
March	52,984,316		
February ..	44,457,037		
January ...	31,451,068		

Knauth, Nachod & Kuhne.—The Presidential election is now a thing of the past, but the memory of it will linger long in the minds of students of political conditions. The campaign has been extraordinary in that it was almost without influence upon general trade, while the closeness of the contest itself came as a complete surprise to many people who did not figure upon any such result. The fact that the election is over eliminates an important element of uncertainty and means that the American people can forget politics for many months to come. The thing to remember is that the country's prosperity is based upon a variety of factors which are not related to political conditions at all. The bank position is exceptionally sound and people are looking with quiet confidence toward the future.

Hayden, Stone & Co.—Recent interviews make it seem probable that an influence, which we suggested in a recent letter, is likely, before long, to play quite an important part. We allude to the probability of the cessation, wholly or in part, of gold imports and the probability that the large exporting companies will have to take a considerable part of their pay in foreign government bonds. The security of such bonds cannot be doubted, but their security is not the point in question; the point is, if companies take part of their pay in bonds they will have less cash to distribute in dividends. Now, a man cannot buy stocks with the profit retained in his company's treasury, though this profit may be in the form of perfectly good bonds. On the other hand, the profit is there and, in a sense, is adding to the value of the stock. The effect that this influence may have on prices, is an interesting speculation; on the one hand, it means, perhaps, further inflation, and inflation is almost a synonym for higher prices. On the other hand, if it reaches a point where it affects the money rates, its influence will be very quickly felt. For the time being, it is a purely academic question, but it is quite possible that another six months will see it a real market factor.

The First National Bank of Boston.—A wave of mill building and extension, encouraged by phenomenal earnings, is evident in the cotton and woolen industries. On the other hand, good judges are preparing for a period of decreasing profits on the theory that cotton may not continue upward indefinitely and that increases in wages will cut down profit margins. It is a harvest time for New England industries with no visible symptoms of over-production. Conservative concerns are tucking away a share of their abnormal profits, making future commitments only on a rational basis and generally preparing for a violent readjustment in case of untoward foreign complications or for a reaction, whenever rising prices overtake the country's purchasing power.

Sheldon, Morgan & Co.—A market, such as that of the last few days, encourages over-enthusiasm in speculation, and while we are convinced that prices in many cases have not yet reflected real values, it is our suggestion that investors do not allow themselves to be carried away by the spectacle of rapidly soaring quotations. In other words, it is our opinion that caution should be exercised in a market that sooner or later must become top-heavy.

J. S. Bache & Co.—The most important stock in the market still is United States Steel common. The position of the corporation's business, with the price tendency in steel products, including rails, steadily advancing, is for further addition to its huge earnings. Shell steel, in which there is a larger margin of profit than in domestic requirements, is in enormous demand. There is, in fact, no diminution in the prosperity prospects of this greatest of industrials.

Because Steel is the acknowledged leader —the embodiment of all that this present market represents—its lead upwards would carry all other groups with it.

In copper, as in steel, indications are for a long period of big demand at heavy margin of profits, and copper stocks are beginning to have their turn in the general uprise.

The Business Situation

RUNAWAY commodity prices, and runaway prices for industrial stocks to correspond with the big profits expected to result from the imperative demand for goods, have been the feature of the past month. The situation is being brought forcibly home to every householder, until the H. C. of L. has become a national joke. There seems to be no top to the flight of the various index numbers of commodities compiled in this country and Europe.

The banking situation shows no essential change. The money rate cannot rise so long as we continue to import gold in such quantities, and the ratio of deposits to loans has been rising since last July. This, of course, means an increase in investment funds, and that condition has been reflected in a rise of over two points in high-grade bonds since September.

Prices of copper and steel have advanced again far over their previous high points. This has encouraged very high prices for the steel and copper stocks. U. S. Steel's unfilled tonnage exceeds 10,000,000 tons for the first time in the history of that corporation, and as yet there is no sign of a let-up in the demand. Production of iron is also far above all previous levels at 3,508,000 tons in October. The price of pig iron has at last begun to share in the excitement of other metal markets, and seems likely to go still higher in spite of the big production.

The small crops have scarcely checked business activity because of the high prices obtained for them and continued expansion in other lines. Under such prosperous conditions business failures are naturally very small, as they have been for a year and a half.

One of the very few weak points in the situation is noted in building operations, which showed a good increase last July, but since then have fallen off. There has been no sustained gain in building operations throughout the country as a whole since 1909. This condition is reflected in lumber prices, which are not advancing with other prices. Herewith is a summary of vital factors affecting conditions.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent. Cash to Deposits New York Clearing-house Banks.*	Per cent. Loans to Deposits New York Clearing-house Banks.*	Br'dst's Index of Commodity Pcs.	English Index of Commodity Pcs.
November, 1916...	3½	5⅜	15.0	95.0	12.80	4,596
October, 1916...	3⅝	5⅜	14.0	96.1	12.04	4,423
September 1916...	3⅝	5⅜	14.0	97.4	11.78	4,372
November, 1915...	3⅛	5	17.7	91.5	10.38	3,371
November, 1914...	5⅞	5⅜	25.5	100.6	8.86	2,732
November, 1913...	5¾	4⅞	25.8	101.0	9.22	2,684
November, 1912...	6	4¾	25.3	101.2	9.48	2,722

*Affected by the new Federal Reserve System.

	Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands).	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thous'ds)	Business Failures Total Liabilities (Thous'ds)
Oct., 1916	25,612	9,901	.....	.....	.....	11,146
Sept., 1916	22,762	8,406	Imp. 85,713	Exp. 348,719	39,988	12,393
Oct., 1915	20,152	7,412	Imp. 76,730	Exp. 186,797	43,472	21,104
" 1914	11,735	6,126	Exp. 44,357	Exp. 56,630	31,103	26,641
" 1913	15,720	7,026	Imp. 4,907	Exp. 138,912	36,557	20,651
" 1912	17,146	7,007	Imp. 11,557	Exp. 76,645	41,131	14,716

	Wholesale Price of Pig Iron	Production of Iron (Tons) (Thous'ds).	U. S. Steel Co Unfilled Tonnage (Thous'ds).†	Price of Electro. Copper. Cents.	Crop Conditions				Babson's Bond Average.
					Winter Wheat	Spring Wheat	Corn	Cotton	
Nov., 1916 ...	22.00	....	....	32.5	(a)	...	...	...	93.8
Oct., 1916 ...	18.53	3,508	10,015	28.6	...	...	71.5	...	93.4
Sept., 1916 ...	17.50	3,202	9,522	27.3	...	48.6	...	56.3	91.8
Nov., 1915 ...	16.15	3,125*	6,165*	18.9	...	94.6‡	79.7*	60.8‡	91.2
" 1914 ...	12.90	1,778*	3,461*	11.7	...	68.0‡	72.9*	73.5‡	...
" 1913 ...	13.87	2,546*	4,513*	15.2	...	75.3‡	65.3*	64.1‡	90.7
" 1912 ...	17.25	2,689*	7,594*	17.3	...	90.8‡	82.2*	69.6‡	96.4

*October. †Last day of mo. ‡September. (a) Crop 454,706,000 bu.; 1915—655,045,000 bu.

The Machinery of Wall Street

Why It Exists, How It Works and What It Accomplishes

XIV. Theory of Speculation—Speculative Terms

By G. C. SELDEN

THERE have been numerous theories of speculation, some called "scientific" and some not dignified by that term. The central idea of nearly all these theories is that the market always represents a sort of contest between investors, of whom the most influential are large capitalists, and closely connected with the great banking interests, and speculators, including the pools, the big individual plungers and the public.

It must be borne in mind that in the stock market it is dollars that count, not individuals; that is, one man with $1,000,000 to use in the market has just as much effect on prices as 1,000 men with $1,000 each. Hence a few very large capitalists may easily overbalance, under ordinary conditions, all that part of the speculative public, which is operating in the market at the moment. Moreover, $1,000 used as a ten-point margin has ten times as much effect as $1,000, which is used to pay in full for a stock selling at par.

Hence, small investors, even though they may be very numerous, do not usually have much influence on the immediate movements of prices. The main contest is between the big investors—who might as well be called speculators, except that they can always command money or credit enough to pay for their stocks in full if necessary—and the other class of speculators, who will take a loss if the market goes against them far enough.

So the market goes through a series of "cycles," or "minor swings," in which the heavyweight interests, which are at the time more or less in control of prices, buy, during and after a decline, from the lighter speculators who can be scared into selling, and sell at a profit, during and after an advance, to the same or new lightweight speculators, who become enthusiastic enough to buy.

These minor swings occur within and subordinate to the broad movements of prices, which are based on investment values. That is, when the investment value of stocks is increasing, the upward "leg" of the minor swing will be longer than the downward leg, and when investment values are falling the reverse will be true.

In this way the "technical situation" is created. The technical situation is strong, when most of the floating supply of stocks—or of a stock—is held by people who will not sell on declines, and it is weak when a large part of the floating supply is in "weak hands," or in the hands of those who will sell on a decline—that is "the public," as the term is used in Wall Street parlance.

Manipulation

The minor swing, which may last anywhere from a week to several months, is attributed by most people to manipulation—a term loosely used to mean a movement of prices which has no connection with investment values, and is brought about by the operations of controlling interests. It would be more accurate to say that the minor swing is nearly always accompanied by manipulation; for the real cause of the swing is that the speculative public generally buys high and sells low. No amount of manipulation could compel outside speculators to do this. They do it because they are "built that way."

Manipulation, however, is always going on, within limits, in any active market. When strong interests have bought up the floating supply of a stock which they believe to be relatively low, compared with its value, so

that very little stock is offered near current prices, it is perfectly natural for them to bid up the price and try to get a following. After they think the stock has advanced as far as it is entitled to go or farther and they have sold out and perhaps gone short a little, it is quite natural for them to offer the price down to see whether the holders of the stock will sell on declines. That is manipulation. It may be carried on over a range of one point or—in a few instances—a hundred points. The principle is the same.

The frequenter of speculative brokerage houses is likely to hear something about "wash sales" and "matched orders." Wash—or fictitious—sales are a thing of the past, not now tolerated by any legitimate exchange, though still possible, perhaps, on the Curb. Matched orders are prevented so far as possible, but cannot be entirely suppressed. For example, a big operator gives one broker an order to sell S. O. S. stock in specified quantities on a scale up from the current market; then he distributes among other brokers orders to buy S. O. S. The result is an appearance of great activity in S. O. S. at rising prices, although nothing may really be done except what this one operator is doing with himself. His object is to attract other buyers to S. O. S. The brokers who handle the orders may suspect what is going on, but they have no way of proving it, since every broker must, of course, keep secret the source of his orders.

Effect of Short Interest

The manner of selling stocks short has been previously explained. "Shorts" are proverbially timid. Most of them work for immediate profits and they "run to cover" when prices turn strong. This fact is a great help to manipulators, who are thus in many cases able to get the market higher than they otherwise could, by bidding up the price and "scaring in the shorts." On the other hand, the shorts often support prices by taking their profits after a sharp decline.

Stop Orders

Another help to the manipulator is the "stop order," which is an order to buy at a certain price *above* the market or to sell at a price *below* the market. This sounds silly to the novice, but the purpose is to prevent a trade from running into a bad loss or to keep a trade from showing any loss at all after it has shown a fair profit. When stop orders are found in the market, any manipulator working on the bear side will naturally try to depress the price enough to reach them. When his customer's margin is in danger of exhaustion, the broker has to put in stop orders in order to protect himself from loss.

Puts and Calls

"Puts and Calls," or "Privileges" are somewhat similar to options in real estate. If Reading is selling at 90, Mr. A. pays Mr. B $100, for example, for a contract to take 100 Reading at 85 at any time within 30 days. This is a "put"—A buys the put, B sells it. Then if A buys Reading at 87, his loss is strictly limited to two points, even though Reading may drop to 50, for he has a market at 85 at any time within 30 days. On the other side, if B sold to A a contract to sell A 100 Reading at 94 at any time within 30 days, that would be a call. A could call for the 100 Reading at 94 whenever he wanted it within the time limit. So if Reading advanced to 100, A would have six points profit without having invested anything except the cost of the call.

These privileges also look silly to the ordinary observer, because A pays something for the privilege of buying *above* the market or selling *below* the market. Nevertheless, there are conditions under which they may be used very profitably by an expert.

Buying on Instalments

So much has been said against the dangers of margin trading that a substitute has been devised and has become very popular; namely, buying stocks on instalments. The buyer en-

ters into an agreement with his broker to pay for his purchase of stock, part down and the balance monthly. The broker buys it and carries it for his customer until paid for in full.

So far as New York Stock Exchange houses are concerned, this is really a purchase on margin, for the broker retains the right to close out his customer's account to protect himself if necessary. The only difference is that the broker demands a first payment large enough to make that unpleasant possibility exceedingly improbable. Houses not members of the Exchange, however, are free to make a contract with the customer not to sell the stock even if the price should decline below the point to which it is protected by the first payment, and some of them do make that contract. So far, since this practice came into vogue, they have not been called upon to go through a panic like that of May, 1901, or November, 1907. It is perfectly evident that the strength of the contract depends entirely on the strength of the brokerage house which makes it.

It will be noted that the broker, under this instalment contract, does not have to deliver any stock for months to come. In practice, if he is not a member of the Exchange, he can buy the stock whenever he gets ready. This leaves a loop-hole for "bucketing"—that is, for not buying the stock at all—but since the broker agrees not to sell the stock so long as the customer keeps up his instalment payments, there is little inducement to bucket the order. A more serious danger is that a fraudulent broker might silently fade away, taking the customer's money with him.

Discretionary Accounts

Legitimate brokers will rarely if ever accept discretionary orders, and most of them will not accept accounts which are to be managed by any other person, except the principal. This has checked the business of handling accounts for other people which was formerly carried on to a limited extent.

The timid novice is sometimes attracted by the idea that some "expert" can handle his account better than he can—especially after he has bungled matters for himself—but those experts who can really do it are usually busy handling their own accounts. Finding the exception is like looking for a needle in a hay-mow, and much more costly.

Market Letters

It is a noticeable fact that the higher the standing of a broker the less definite and emphatic are his market letters. Combining the business of the broker and the market adviser is decidedly difficult. The broker is generally too close to the market to see it in perspective.

In a study of the market letters of twenty leading brokerage houses, members of the New York Stock Exchange, I found that over a period of several months they averaged a correct judgment of the trend of the market considerably more than half of the time. That is all that should be expected, but the novice often expects more and is disappointed.

It is in Wall Street that economic laws find their most accurate and responsive expression, and it has been the experience of mankind that tampering with economic law is generally costly. Not that there is anything sacred about economic law. It is simply the best method we have found so far of adjusting the business of life to the circumstances under which it has to be carried on. But the mere fact that this process of adjustment has been going on for centuries makes the wisdom of sudden or sweeping changes very doubtful.

The Wall Street of 1950 will undoubtedly be as far ahead of to-day as to-day is ahead of the Wall Street of the Civil War, but the change must come slowly and naturally, by well considered legislation and improvements in banking practice. There is no piece of the machinery which could be taken out and thrown away, because each piece has been fashioned by practice to meet some real demand.

(End of the Series.)

RAILWAYS & INDUSTRIALS

A Comparative View of Atchison

A Decade's Progress of Five Leading Western Roads

BY WILLIAM T. CONNORS

IN the first quarter of its current fiscal year Atchison's net earnings increased 32% over the corresponding months of the previous year and its gross earnings gained 17.3%. This is the best gain in net made by any of the great American railroads for those months, and the increase in net was greater in proportion to the gain in gross than on any other road.

The position of a railroad, however, cannot be judged by three months' business alone. To form a sound investment judgment of its stock it is necessary to note its progress for a decade or so and to compare results obtained on it with those of other roads similarly situated.

The roads with which comparisons are naturally made are the other big Pacific systems—St. Paul, Northern Pacific, Southern Pacific and Union Pacific.

The Gain in Gross

Gross earnings are the backbone of the railroad business, as of any other. When a growing territory gives a road a steady increase in the quantity of business to be hauled, it takes serious mismanagement to damage the investment value of the stock.

In this particular the Western roads are very favorably situated. Their territory is still only partly developed, so that growing population and wealth naturally give them more business from year to year. There has, however, been a considerable difference in the progress of gross earnings on the different roads, as is shown in Table 1.

In the ten years from 1906 to 1916 Atchison's gross has increased nearly 2½ times as much as Northern Pacific's, and considerably more than the gross of any one of the other four roads. The St. Paul system in 1906 did not reach the Pacific and it was not until 1913 that the earnings of the Puget Sound Division were included in the annual statements; but the gross earnings of the old St. Paul have not kept up with Atchison's.

In the matter of gross earnings, therefore, Atchison's position is exceedingly strong. During the past decade the Southwest has grown faster than the Northwest, and the part of the Southwest covered by the Atchison has gained even more in proportion than the rest.

TABLE 1

TEN YEARS' INCREASE IN GROSS EARNINGS OF FIVE LEADING WESTERN ROADS.

	1906	1916	Per Cent. Increase
Atchison	$78,044,347	$133,762,392	71
St. Paul	55,423,053	105,646,484	(91*)
Northern Pacific	61,223,476	75,939,231	30
Southern Pacific	105,632,550	152, 694,228	45
Union Pacific	67,281,543	104,717,005	55

*Not comparable because of Puget Sound Extension.

Operating Results

Given good gross earnings, the next important consideration is: What part of them is carried forward into net? Or, as the question is usually considered, what is the ratio of expenses to gross? This is the index of the operating efficiency of the road.

In this matter, however, it is necessary to compare each road's results with its own past figures, for conditions differ so widely on different roads that no very close correspondence is possible in

their operating ratios. Union Pacific in 1906 was able to pay its operating expenses with 55% of its gross receipts, and in 1916 with 61%. This very low ratio was possible because Union Pacific has such a large proportion of through business. Atchison, St. Paul and Southern Pacific have to collect a great deal of their business from branch lines, on which the proportion of profit is necessarily smaller. Northern Pacific also has many branch lines, but its freight is mostly of a character that can and is often made to wait the railroad's convenience to be moved. The Hill management has made a special study of the economical handling of this class of freight and has achieved results that have made Northern Pacific operating methods the envy of other roads.

As seen from Table 2, the operating ratios of all the roads were higher in 1916 than the years before. The reasons are well known—fixed rates, rising costs of materials and labor, and higher taxes. Against these difficulties the managements have struggled with considerable success, but they have not been able to prevent some increase in expenses as compared with gross earnings.

It will be noted that Atchison has held its own with the other roads; that is, its operating ratio has not increased any more in proportion than the ratios of the other roads. In fact, during the dull business years of 1911 to 1914 Atchison had on the whole rather better success in keeping down expenses than the other four roads.

The question of the amount of maintenance work which is charged to operating expenses has an important bearing on these ratios. All these roads, however, have been well maintained throughout the decade. Northern Pacific has cut down its maintenance charges since 1912, but it has been in a position to do so because of extra heavy maintenance in previous years. Atchison has been consistently well maintained regardless of current business conditions.

TABLE 2

OPERATING RESULTS OF FIVE LEADING WESTERN ROADS—RATIO OF EXPENSES TO GROSS EARNINGS.

	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916
Atchison	65.0	70.5	64.2	70.3	69.0	70.0	70.4	71.1	69.4	67.3
St. Paul	68.8*	69.3*	68.7*	73.0*	76.5*	80.2*	70.9	71.6	73.0	70.4
Northern Pacific	58.0	62.4	59.3	66.6	66.3	66.1	67.0	67.8	65.8	59.9
Southern Pacific	65.9	71.9	66.0	65.0	67.8	70.0	69.0	72.8	72.5	68.4
Union Pacific	55.3	58.1	51.5	55.6	59.9	63.7	62.7	65.6	65.2	61.0

* Does not include Puget Sound Division.

Per Cent Earned on Stocks

It is difficult to make just comparisons of the per cents earned on the stock of a road in different years because of the changes in business conditions. The comparison made in Table 3 is between two periods of three years each when business conditions were, on the average, somewhat the same. We may assume, perhaps, that 1906 corresponded fairly well with 1916, and 1908 with 1914. Between 1907 and 1915 the correspondence is not so close, since 1915 was not as good a business year as 1907. But the difference is not important enough to seriously impair the value of the table.

The comparison shows that recent earnings on the stocks are not so good as those of ten years ago, in spite of the great increase in net and gross business. A part of this change is to be charged to increased operating expenses, but most of it is the result of increased capitalization. In order to provide facilities for handling the much greater volume of business they now carry, the roads have had to increase their capitalization in greater proportion than the gain in earnings. In other words, the return on the new capital is not equal to the return that was being obtained on the previous capital invested.

In this comparison Atchison earnings hold their own fairly well, especially in view of the fact that the 1917 earnings

are likely to be excellent. Southern Pacific, also in a rapidly growing territory, makes a still better showing, and Union Pacific has done as well at Atchison. Earnings of the Northwestern roads have fallen off rather sharply, especially on the St. Paul, where the new Puget Sound line has by no means reached what should be its normal earnings when its territory is more fully developed.

An especially strong feature of the Atchison is the fact that its earnings are larger in proportion to dividends than those of any of the other four roads. From 1914 to 1916, with business conditions far from the best, nearly 10% was averaged, to take care of 6% dividends. The present St. Paul dividend rate is 5%, against 5.6 earned for the three years; Northern Pacific 7, against 8.7 earned; Southern Pacific 6, against 8.6 earned; and Union Pacific 10, against 13.3 earned. Atchison has considerably the largest margin of safety above its current dividend rate.

As to the great increase in total capitalization which has occurred, that is perfectly natural and unavoidable. The more business a road is called upon to handle the greater its facilities must be, and the money to create those facilities must be obtained in large part by the sale of additional securities. The talk about "watered stock" is nonsense, at any rate so far as these five roads are concerned.

Table 4 shows that only 47% of Atchison's total capitalization is now in the form of bonds, the smallest of any of these roads and very much smaller than Southern Pacific. This 47% compares with 56% in 1906. The decrease, as everybody knows, has been accomplished by the sales of convertible bonds, most of which have now been exchanged for stock.

Northern Pacific, also, has done most of its financing in the form of stock, so that the proportion of bonds has fallen from 65% in 1906 to 56% now. The other three roads have followed the policy of putting bonds ahead of the stocks—a policy, of course, which cannot be permanently continued without weakening their financial structure.

TABLE 3

COMPARISON OF EARNINGS ON STOCKS OF FIVE LEADING WESTERN ROADS.

	Average Per Cent. 1906-1908	Average Per Cent. 1914-1916	Per Cent. Decrease
Atchison	11.5	9.7	16
St. Paul	10.8	5.6	48
Northern Pacific	13.1	8.7	34
Southern Pacific	9.3	8.6	8
Union Pacific	15.6	13.3	15

Effect of Methods of Financing

Another important element in the strength of a stock is the tendency in the road's financing toward an increase or decrease in the proportion of bonds as compared with stock. Since earnings cannot benefit the stock until all the bond interest is taken care of, the greater the part of the total capitalization which is represented by the bonds the wider will be the fluctuations in the per cent earned on the stock from year to year.

The tendency in railroad financing during the past decade has been to keep putting more bonds ahead of the stock, because the condition of the roads has not favored sales of stock at satisfactory prices.

Equities

On the other hand it is to be remembered that Atchison is probably not building up equities behind its stock to the same extent as some of the other roads. Nearly all of its actual earnings appear in its annual income table. This is also true of St. Paul, but St. Paul has built its Pacific Coast line within the decade and to that extent has larger prospects for the development of new business than the others. Northern Pacific has a big equity in its half ownership of the C. B. & Q., which has been regularly earning more than it has paid over to its

parent companies. In 1916 it earned a great deal more—21.3% against 8% in dividends. At that rate an extra is likely before long. Southern Pacific is only four-fifths a railroad, measured by net income—one-fifth of its net came from its other investments, and in addition to that some of these other enterprises are steadily creating equities which do not appear in its income statements.

Union Pacific gets about one-quarter of its net income from its holdings of other stocks. It owns nearly $200,000,000 in stocks and bonds of other companies which are entirely unpledged behind any securities of its own issue.

The stocks of these great systems are carefully watched all the time by investors and their current prices indicate pretty closely their relative value on the basis of present conditions. The cheapest stock, therefore, is the one which has the best possibilities for future development.

From this point of view Atchison and Southern Pacific should probably be picked as the leaders, and Atchison is in a position to stand periods of business dullness better than almost any other of our great railroad systems.

TABLE 4

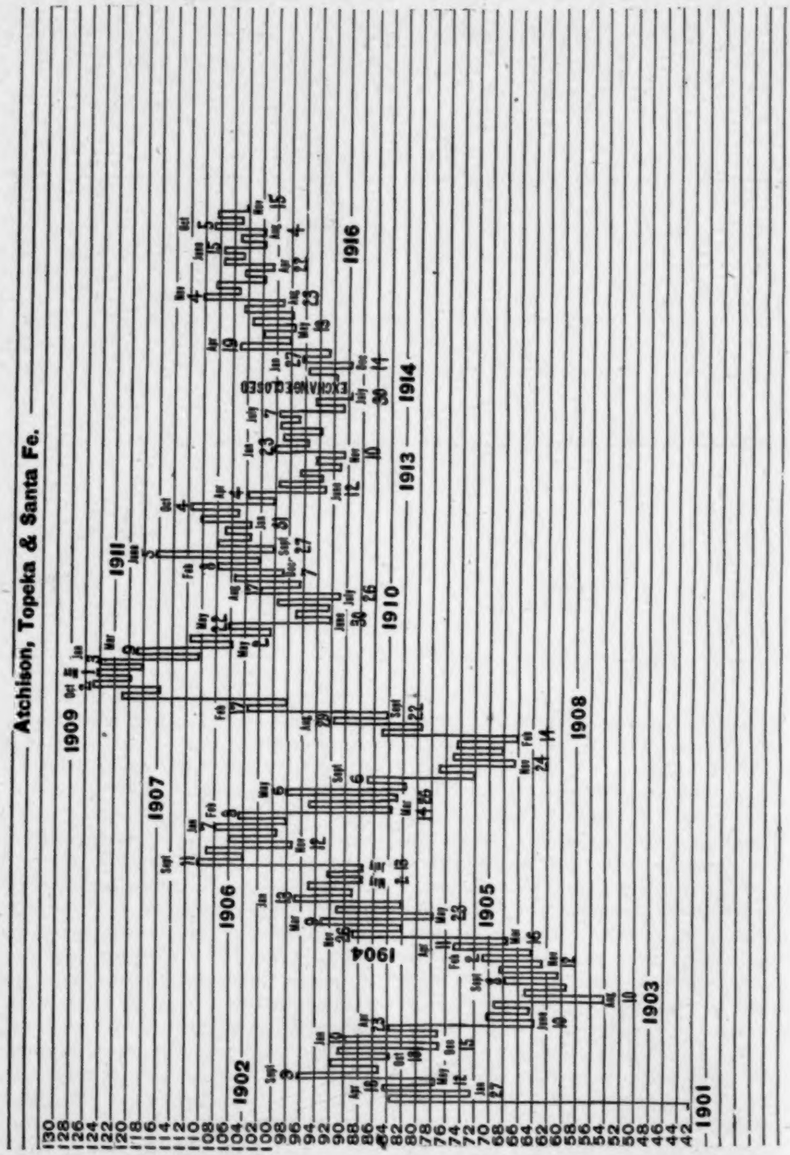
PER CENT. OF TOTAL CAPITALIZATION REPRESENTED BY BONDS—FIVE WESTERN ROADS.

	Per Cent. 1906	Per Cent. 1916	Increase or Decrease
Atchison	56	47	—9
St. Paul	52	60	+8
Northern Pacific	65	56	—9
Southern Pacific	61	67	+6
Union Pacific	41	51	+10

AUTOMOBILIA

The promoter works upward from the level of averages and the obvious. He determines what the public wants to buy or to speculate in and then satisfies the demand. Sometimes the craze is for oil stocks, again for those of silver or copper mines, and recently it has been for the abundantly created shares of automobile manufacturing concerns.

From the standpoint of public interest the distributor of automobile securities has a high average to operate on. Every owner of a car, whether for pleasure or for commercial purposes, is a potential buyer of the stock of the particular make he affects. For generations investors have been buying the securities of railroad or traction lines which they patronize and whose business success is apparent, as well as of local industries. If Mr. Ford should decide to recapitalize his company and offer a participation to everyone who owned or intended to own a Ford, he would be swamped with applications. Thousands would buy the car in order to be an investor in the most profitable concern in the United States in proportion to its capital. The average of automobile owners to individuals with an income of $3,000 or less is very high, and there apparently is a lack of balance between those 250,000 with incomes of $4,000 to $10,000 and the more than 1,000,000 cars produced per annum for a number of years and the proposed 1917 output of 1,500,000 to 1,700,000 cars. Together these owners provide an audience of immense proportions to which the seller of automobile stocks may talk. The obvious things about which he will talk are the $60,000,000 profit of the Ford Company in the year to June 30, 1916, on a capital of only $2,000,000—exactly 3000 per cent.—and the current selling price of General Motors common stock of $790 a share compared with $25 a share "before the war"—an increase also of over 3000 per cent.—*Review of Reviews.*



PUBLICITY

"Finance, instead of avoiding publicity in all of its aspects, should welcome it and seek it. Publicity won't hurt its dignity. A dignity which can be preserved only by seclusion, which cannot hold its own in the market place, is not worth having. We must more and more get out of the seclusion of our offices, out into the rough-and-tumble of democracy."—Otto Kahn.

Crucible Steel's Earnings

Why the Company Is Following a Conservative Dividend Policy—What Happened to Last Year's Profits—Position of Securities

By MALCOLM B. ARMSTRONG

WAR stocks with war earnings do not necessarily mean war dividends. One of the fallacious conceptions which has gained much currency of late, is that because a company earns, say, $50 a share on the common stock, that such earnings are as good as in the strong boxes of the common shareholders. Nothing could be farther from the truth. Theoretically the common stockholders are better off to the extent of having $50 more behind each share than formerly, but there is considerable difference in being theoretically better off that much, than having that much more cash in the bank. Generally speaking the managers of the companies which are reaping a golden harvest from war business are displaying a commendable conservatism in the distribution of profits. Companies which led an aenemic existence before the war because of lack of working capital and insufficient replacement and depreciation appropriations, are having their shrunken veins filled with the new blood of surplus earnings. The underlying idea is to provide against that time when physical warfare will be succeeded by trade warfare no less intense though bloodless. The diversion of earnings into plant and property makes good investment material, but poor speculative ammunition, since speculative Wall Street can only be fired by the lure of *immediate* profits.

Crucible Steel's Upbuilding

Crucible Steel Co. of America is a good example of a company which is ploughing back surplus profits into the property account at a prodigious rate. The last reported balance sheet, for the year ended August 31 last, clearly shows this. Notwithstanding that the year showed net profits of $13,223,655, or a balance after 7% on the preferred stock, of $11,473,650, equivalent to $45 per share on the common stock, and notwithstanding that on October 31 last the unpaid accumulated dividends on the preferred stock totaled 20%, the company spent the entire balance of what was left after 8½% on the preferred for the year, on improvements and working capital and in addition charged $4,000,000 in round figures, out of the accumulated surplus for the same purpose. Hence we have the anomaly of Crucible Steel ending the best year by far in its history with a surplus approximately $4,000,000 smaller than when it started the year.

The reasons for these large expenditures were the necessity for additional working capital and the plan of the management to bring all the company's plants to the highest state of efficiency. By the time this program is finished the plants of the company will have been practically reconstructed. When the company was formed in 1900 it represented an amalgamation of thirteen separate steel manufacturing properties. In the course of development six of the subsidiaries have been disposed of and about an equal number of other companies acquired, while one company was absorbed. The table, showing in summarized form the earnings of the company for the last eleven years, brings out that with the exception of the last year there have been only two years in a decade when earnings on the common exceeded 6%. In short, Crucible Steel common stock, like the common stock of the U. S. Steel Corporation in its early days, was largely water. The graphic which accompanies this article and which shows at what low levels Crucible common sold before it became a "war-bride," substantiates that conclusion. Evidently the Crucible management is taking a leaf from the book of U. S. Steel and intends to back the junior issue with tangible and substantial assets.

How Last Year's Profits Were Disposed

Naturally the stockholders, and the

common stockholders in particular, are interested in knowing just what the company did with its excess of earnings for the biggest year in the company's history. Of the balance of $13,223,655 earned after all charges, $2,125,000 went for preferred dividends, this amount representing 7% and 1½% on account of accumulated dividends. Receivables showed an increase of $6,545,822, inventories an increase of $3,519,803 and taxes and insurance unexpired $14,438, making the total increase in current assets $10,080,064. New properties costing $2,879,680 were purchased and coal land purchase notes were reduced by $307,000, while $211,435 in assets were reserved for the dividend scrip redemption fund. Deductions included $421,600 on 4,216 of additional common issued during the year, $299,308 representing a decrease in investments and construction advances to associated companies and $1,638,841, an increase in reserve funds.

Difficulties Encountered

Crucible steel is steel manufactured by the crucible process, that is to say in crucibles, as contrasted to open hearth Bessemer steel. Formerly the company's crucibles were manufactured from German clays and plumbago, or graphite. The German clay came from the banks of the Rhine and the graphite from Ceylon, East India. When the company's supply of German clay ran out it was obliged to make its crucibles from an inferior clay, with the result that the life of the crucible was so much less than formerly that costs increased tremendously. When one considers the company's own capacity for manufacturing crucibles is 250,000 per annum, but that with inferior clays it requires three times as many crucibles to produce the same amount of steel as formerly, it will be perceived how important a matter the crucible is to any company in this line of business. Since the war started the price of plumbago or graphite has advanced 200%. The result of the obstacles mentioned, is that Crucible Steel has been unable to keep up with its orders on hand to date.

Prospects

At the present time the company has enough war business in hand to keep its

CRUCIBLE STEEL'S EARNINGS FOR LAST ELEVEN YEARS.

Years Ended August 31

	Total Income	Depreciation and Contingencies	Interest on Script and Bonds of Subsid. Cos.	Net Income	Div'ds Paid	Preferred Stock % Earned	Preferred Stock % Paid	Common Stock Div'ds Paid	Common Stock †% Earned	Common Stock % Paid	Surplus for Year
1916	$16,528,747	$1,915,240	$3,305,092	$13,223,655	$2,125,000	52.8	8½	......	44.3	...	$11,098,656
1915	4,212,595	504,733	634,112	3,073,750	....	12.2	...	......	5.3	...	3,073,750
1914	2,017,952	393,426	609,486	1,015,039	1,750,000	4.0	7	......	...	...	*734,961
1913	5,924,967	718,595	300,486	4,905,886	1,750,000	19.6	7	......	12.8	...	3,155,886
1912	4,327,537	655,864	246,677	3,424,996	1,750,000	13.7	7	......	6.8	...	1,674,996
1911	3,361,744	631,978	172,248	2,557,518	1,730,277	10.2	7	......	3.3	...	827,241
1910	4,122,257	572,912	13,463	3,525,882	1,802,192	14.4	7⅞	......	7.3	...	1,723,690
1909	2,223,261	208,335	10,000	2,014,926	549,821	8.2	2¼	......	1.2	...	1,465,105
1908	139,206	649,231	10,000	*520,025	244,365	....	1	......	...	...	*764,390
1907	2,672,160	125,000	.....	2,547,160	1,466,190	10.4	6	......	3.4	...	1,080,970
1906	......	......	.....	2,901,840	1,344,007	11.8	5½	......	4.8	...	1,557,833

*Deficit.

†After allowing for 7% preferred dividends.

plants in full operation until about the first of next May. Even if it does not get any further large contracts from foreign belligerents, the extensive national defence program which the United States is about to put into effect should materially profit Crucible Steel, as the special hardened steel it manufactures is very essential in the manufacture of munitions and war supplies. It is evident, however, that the company intends to proceed very cautiously in the matter of disbursing profits as shown by the following extract from the last annual report.

"The argument is that present profits, after paying debts, should be first utilized to place the company in an impregnable position against the inevitable reaction to follow the settlement of the European war. To meet these future conditions, your officials realize the need of making large expenditures in its plants to maintain an economic position in competition with other manufacturing concerns, both at home and abroad. With the completion of various installations now under construction at your Midland Works and your other plants, additional expenditures must be made during the coming year for further extensions and improvement to rehabilitate them so as to concentrate the production of certain commodities; that is, add new and more modern and economical types of mills, and to diversify their output.

"Putting back into property the large sums of money already spent and to be spent will not only accomplish this, but will cut operating costs to a level where competition can be fairly met. These expenditures must necessarily be taken out of profits."

Outlook for Securities

The preferred at 123 and the common at 93 would seem to have fairly well discounted the prosperity of the company to date. Concerning the outlook for the 20% accumulated it is officially stated: "During the coming year it is hoped to be able to gradually liquidate a considerable portion of the deferred dividends due on the preferred shares." Another year of such good profits as the last would doubtless see the preferred dividends cleaned up and the way open for the common. But between that event there is a big "If" in the form of a sudden ending of the great war. In the event of the ending of the war this company's issues would without doubt suffer a considerable slump, and while the company as a whole would issue from the war period in a greatly strengthened position, its stocks are more than likely to sell lower on a peace basis than on a war basis. In short, Crucible is very much of a war company and buying its securities at present prices is decidedly a speculative matter.

FUTURE OF CHAIN STORES

The aggregate business done by the various chain-store concerns operating more than ten stores each is not over $300,000,000 a year. This is less than five per cent. of the total grocery trade of the country. The economy that the present high price of food will shortly compel seems likely to increase the appeal of the chain store for a public that will have to pay the equivalent of $12 a barrel for flour, $3.65 a sack for potatoes, 60 cents a dozen for eggs, and 50 cents a pound for butter.

Under such conditions, the economic usefulness of the chain store will be increased and its business will doubtless show an accelerated growth. That it is destined to become a very important part of our commercial machinery seems self-evident.

Whether this destiny can be best fulfilled by yielding to the centripetal influence that tends to bring big business into a co-operative correlation and sometimes into combination is a question that naturally suggests itself to the thoughtful mind.

If ten stores can distribute goods more economically than one, and two hundred can serve the public better than ten, it is logical to expect that a thousand under a single management would be still more efficient, and the trend of development seems to be in this direction.—Theo. H. Price in *The Outlook*.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor.*

RAILROADS

Ann Arbor.—Report for year ended June 30 shows an increase over last year of $199,303; the figures being $300,060.

Atchison.—President Ripley has announced plans whereby his company will run into St. Louis, by an arrangement made with the Burlington system, and the building of a cut-off in central Missouri, thereby reducing the mileage.

Atlanta, Birmingham & Atlantic.—Gross July and August earnings increased 17.7% and net increased 125.3% over same period a year ago. September gross increased $18,310, or 6.9%. The first week of October showed a gain of $14,643 or 25.51%; the second week showed a gain of $11,244 or 18.50%; and the third week a gain of $15,000 or 24%.

Atlantic Coast Line.—September gross amounts to $2,743,401, as compared with $2,359,794 in 1915; net after taxes $625,619, against $441,653 in 1915. For the three months there was a gross of $7,956,504, compared with $6,554,354 in 1915; and net after taxes $1,601,393, against $768,195 during same period the previous year.

Atlantic, Gulf.—The Atlantic, Gulf & West Indies is expected to earn $50 per share on its $14,963,000 common during the first half of 1917. On Dec. 31 it will have in operation 40,000 tons of new steamers, which are expected to earn a minimum of $200,000 net per month.

Aurora, Elgin & Chicago.—September gross was $183,594, compared with $168,334 in 1915, or an increase of $15,260; surplus after charges was $83,755, against $65,666 in 1915, an increase of $18,089.

Bangor & Aroostook.—Report for three months ended Sept. 30 shows gross of $825,107, against $738,691 in 1915, an increase of $86,416; net $339,170 against 225,056 in 1915, an increase of $114,114. The deficit which in 1915 was $121,788 is now only $10,967, a decrease of $110,821.

Burlington.—Reports September gross of $10,374,091, against $8,906,988 in 1915, an increase of $1,467,103; net after taxes amounts to $4,341,174, compared with $3,419,807 in 1915, an increase of $921,367. The three months net shows an increase of $2,923,119 of the same period in 1915.

Canadian Pacific.—Is said to have 20,000 cars on United States lines which it cannot get returned.

Central New England.—Three months gross ending Sept. 30 was $1,468,416 against $1,098,622 in 1915; surplus after charges $436,837, compared with $263,848 in 1915.

Chesapeake & Ohio.—In the three months ended Sept. 30 C & O earned surplus after charges of $2,365,527, which is equal to 3.7% on the $62,792,600 stock outstanding. This is at rate of between 14% and 15% for the year. In fiscal year ended June 30 earnings were equal to 10.96% on the stock, against only 4.24% in 1915.

Denver & Rio Grande.—September gross shows $2,434,128, against $2,424,619 in 1915, an increase of $9,509; net after taxes amounted to $923,492 against $1,007,747 in 1915, a decrease of $84,255. The three months net after taxes showed an increase of $272,970 over the same period in previous year.

Erie.—September net operating income was less than 1915 by $864,000. During first nine months of this year the gross revenues increased more than $8,000,000, net gaining less than $1,000,000; operating expenses having increased more than $7,000,000.

Illinois Central.—Earnings are running at rate of about $12 a share per annum on the $109,291,000 stock. The road recently increased its dividend from a 5% to a 6% basis.

Iron Mountain.—Report for September shows gross of $3,156,085, an increase of $640,792 over 1915; net after taxes $979,449, an increase of $364,729 over same period of 1915. Three months gross amounts to $9,174,814, against $7,555,860 in 1915, or an increase of $1,618,954; net after taxes $2,576,171, compared with $1,858,235 in 1915, or an increase of $717,936 over same period in 1915.

Louisville & Nashville.—Reports three months gross of $16,143,249 for quarter ended Sept. 30, compared with $13,976,650 in 1915, an increase of $2,166,599. Net after taxes shows an increase of $725,959 over previous year for the three months period.

Michigan Central.—Recently placed orders for more than $9,000,000 worth of rolling stock for immediate delivery. The new equipment will include 4,000 automobile cars. Last year's order for equipment included 4,500 automobile cars; they will therefore be in good condition for handling motor shipments.

Minneapolis, St. Paul & Sault Ste Marie.—The recent issue of the "Soo" equipment 4½s amounting to $1,500,000 will mature $75,000 semi-annually May and November from May, 1917, to November, 1926, inclusive.

Missouri, Kansas & Texas.—Reports for year ended June 30 a deficit of $1,873,418, against a surplus of $1,473,972 in 1915.

Missouri Pacific.—Is expected to be out of receivers' hands and operated independent of the courts by Jan. 1. Proposed reorganization was approved by the Missouri public service commission, which also approved the proposed issue of new securities provided for in the plan of reorganization.

New York Central.—Recently filed application for permission to issue equipment trust certificates not to exceed $12,000,000; also to approve $25,000,000 additional stock. It proposes to purchase equipment estimated to cost $15,000,000.

Pennsylvania.—Operating revenues in September of $39,113,085 were not quite equal to those for August, which were the largest ever reported in any month, and amounted to $40,770,228. The system's gross revenue compared with September, 1915, is an increase of $3,891,680, and for nine months of 1916 the increase is $62,423,541, or between 23% and 24%.

Pere Marquette.—The reorganization plan reduces fixed charges by $2,439,000 to a point where past operations have shown they can safely be carried. The capital will be reduced $8,340,000 and the cash of $16,000,000 required is furnished by a syndicate which will obtain $6,000,000 first mortgage series "A" bonds, $11,250,000 prior preference stock and $25,675,000 common stock, and after payment of receiver's obligations will leave $6,000,000 working capital.

Rock Island.—It is proposed to issue a large open mortgage series bearing 4½% interest to be offered to holders of the refunding 4s in exchange for their bonds of which $111,140,000 are outstanding, $94,941,000 being in the hands of the public.

INDUSTRIALS

Allis-Chalmers.—At December meeting it is expected that in addition to 1½% regular dividend on preferred there will be declared an extra of 1½% on account of back dividends. Allis-Chalmers has about $12,000,000 unfilled orders, taken at high prices, and this means a continuation of large earnings. All business on the books is domestic.

American Car & Foundry.—Has the largest volume of forward orders on its books of any one time for several years. It will earn during the current fiscal year, to end April 30, from regular equipment production its 7% dividend on the $30,000,000 preferred and several times the 2% being paid on the $30,000,000 common.

American Hide & Leather.—The new plan of reorganization provides for an issue of $12,000,000 5% first mortgage bonds, of which $4,000,000 are to be sold and the remainder given to the preferred stockholders for 65% of accrued dividends. The outstanding 6% bonds, amounting to $3,500,000, would be retired at 115.

American International Corp.—The annual meeting of stockholders will be held Dec. 6. Books close Nov. 15 and reopen Dec. 7.

American Linseed Co.—To pay dividend of 1½% on Jan. 1 and 1½% on July 1, being first dividends paid in sixteen years. Previous payment was 1¾% made on September 15, 1900, to preferred stock. Of the $1,476,817 surplus earned for the year ended September 30 last, $943,317 to be passed to surplus and two dividends of 1½% each to be paid next year.

American Locomotive.—Is expected to show net profits for quarter ending in December at the rate of $2,000,000 per month, which equals nearly $90 per share on $25,000,000 common after all prior charges and dividends. American Locomotive has made contract with Great Britain for 1,000,000 time fuses, the contract providing for renewals at the option of the purchaser on another 2,000,000 fuses at contract price. The contract is shared with Westinghouse Air Brake Co.

American Malt Corp.—The corporation has in its treasury $8,559,000 American Malting Co. preferred and $5,762,372 common, which it is proposed to issue for outstanding American Malt Corporation stock of like amount. Should the plan proposed become operative, American Malt Corporation will be wiped out of existence and American Malting Co. will succeed it with $8,559,000 preferred and $5,767,124 common outstanding.

American Pneumatic Service. — Reports for nine months ending September 31 net earnings of $261,895, against $221,002 in 1915.

American Rolling Mill Co.—Plans are being made to merge the plants of the American Rolling Mill Co. and the Columbus Iron & Steel Co. American Rolling Mill capital consists of $800,000 6% preferred and $6,400,000 common stock. Columbus Iron's capital amounts to $1,500,000.

American Smelting Securities Co.—To retire its 6% gold debentures on Feb. 1, 1917, at 105 and interest. There is outstanding $11,265,500 of this issue.

American Steel Foundries. — Now has a larger volume of business on its books, exclusive of its war contracts, than at any previous time in company's history, said President Lamont. He added that the company is now

doing gross business at rate of about $36,000,000 a year, comparing with normal full operating rate of around $20,000,000. All plants are running full.

American Writing Paper.—It is understood that readjustment plans are under way. The company has outstanding $12,500,000 7% cumulative preferred and $9,500,000 common stock and $12,626,000 first mortgage sinking fund 5% gold bonds due July 1, 1919. This is part of an authorized issue of $17,000,000 and they are redeemable at 105 and interest on any interest date upon two weeks' notice. There is a sinking fund requirement in connection with this issue of $100,000 a year and it is understood that it is desired to overcome this feature through the issuance of possibly a convertible bond without such an imposition.

Armour & Co.—The proposal of Armour & Co. to declare a stock dividend of 400%, thus increasing the capital to $100,000,000, following so closely the declaration by Swift & Co. of a $25,000,000 cash dividend, to be followed by the issuance of new stock to the same amount at par, thus increasing this company's capital to the $100,000,000 mark, calls attention to the fact that probably nowhere in the world is concentrated so much business as is done in the square mile of territory known as the Union Stockyards of Chicago.

Bethlehem Steel.—Plans to spend $9,000,000 in new construction work within the next two years. The government awarded Bethlehem Steel a contract for thirteen 16-inch guns at $116,900 each.

Blumenthal Co.—Is doing a gross business at the rate of over $20,000,000 per annum. For the year 1916 the company will show a gross overturn in excess of $15,000,000. The 1917 figures art expected to reach a minimum of $25,000,000, and if plant completions are completed in time, to reach $30,000,000.

Brier Hill Steel.—Ingot output for October amounted to approximately 60,000 tons.

Brown Shoe Co.—Reports for year ended Oct. 31 show largest business of company's history. Total sales amounted to $15,913,373, an increase of $5,149,045, or nearly 48% over 1915. Net earnings were $1,467,756. After deducting preferred dividends this was equivalent to over $20 per share on the $6,000,000 common stock outstanding. This was after liberal charges for depreciation and reserve accounts and also after charging off $179,278 to provide for $200,000 par value of preferred stock retired.

Carnegie Steel Co.—The output of the Youngstown mills of the Carnegie Steel Co. for October was 137,000 tons. The Carnegie Steel has set up 35 new production records, among which was the rolling of 947 ingots during 12 hours on a 43-inch mill.

California Shipbuilding Co.—Recently offered to rent their yard to the government and furnish all material and labor, with the government assuming responsibility for construction of vessels.

Central Leather.—It is estimated that the company will earn at least $50 per share on its common during 1917. The fiscal year to Dec. 31 will probably show approximately $28 per share. The nine months have produced a net of 18% and the last quarter is likely to show 10%.

Central Trust Co.—The directors of Central Trust Co. of Illinois, of Chicago, have recommended to the stockholders an increase in the bank's capital stock of $1,500,000, bringing the total capital stock up to $6,000,000. The new issue will be offered to present stockholders at $150 per share.

Chalmers Motor Corp.—The books have closed for public subscription to the new Chalmers Motor Corp. stock at $35 a share. A circular was issued to the common stockholders stating that proceeds from the 264,000 shares of the 600,000 shares capital will be sufficient to provide additional working capital and furnish funds to retire outstanding preferred stock of old company. There has been 200,000 shares of stock set aside to acquire the common shares of the company on basis of four shares of new to one of old and that 136,000 shares will remain in the treasury for the present.

Chandler Motor Co.—Up to Oct. 28 Chandler Motor had this year shipped 11,185 cars, or nearly twice last year's total.

Colorado Fuel & Iron.—Reports for quarter ended Sept. 30 show net earnings equivalent to $2.54 a share for the common stock, after providing for the unpaid 2% on the preferred.

Computing Tabulating Co.—Net earnings for the nine months ended Sept. 30 were $1,075,730, with surplus earnings for that period amounting to $777,352, as compared with $701,541 and $437,336, respectively, for the same period of the previous year.

Corn Products Refining Co.—Is ordered to submit dissolution plan within 120 days, or within 120 days after U. S. Supreme Court hands down its mandates in case, providing appeal is taken, as is expected, and decision is sustained after defendant company has filed such a plan. The capital stock of the Corn Products Ref. Co. is about $80,000,000. It has on hand a back dividend fund of $5,000,000, the payment of which to stockholders is not affected by the dissolution decree.

Crucible Steel.—The company put $15,000,000 earnings into the property this last year and thereby reduced the available working capital about $4,000,000 to $6,543,000. About $300,000 scrip for dividends was retired.

Distillers Securities Corp.—During the fiscal year ended June 30 the company canceled nearly $2 000,000 of its 25-year-old gold 5s of 1927, reducing the issue to $12,350,000. Since the end of the fiscal year a further

$1,000,000 of these bonds have been acquired and will be cancelled.

Dominion Steel.—At the end of the present year will be out of debt, and instead of increasing dividends the extra earnings will be put into improvements at the plant.

Electric Bond & Share Co.—Gross income for nine months ended Sept. 30 was $1,466,941; net income, $1,108,659; preferred dividends, $270,000; regular common dividends, $360,000; surplus, $478,659.

Firestone Tire & Rubber.—Instead of declaring stock dividend the company set aside $1,000,000 as an employes' fund to be used for welfare purposes. The new capitalization was fixed at $15,000,000 and $500,000 of the stock is to be sold to employes and officers. Total sales for the year aggregated $33,321,693, a gain of 32% over the previous year.

Fisher Body Corp.—October sales totaled $1,470,000, against $773,000 in October, 1915, a gain of 90% and a new high record. For eight months, sales increased 79.74%.

Fisk Rubber Co.—Recent issue of $5,000,000 new first preferred and $2,500,000 second preferred will enable the company to wipe out all floating debt and increase its working capital from $4,000,000 to nearly $12,000,000.

Ford Motor.—The injunction against Henry Ford because of his plan of expanding the business and not pay dividends has temporarily tied up about $52,000,000 and seeks to compel Mr. Ford to distribute about $39,000,000.

General Chemical's profits for the nine months ending September 30, 1916, amounted to $9,138,138.

General Development Co.—Has declared regular quarterly dividend of $1.50 a share, payable Dec. 1 to stock of record Nov. 15.

Great Atlantic & Pacific Tea Co.—The gross sales of the company for the first six months of 1915 were $19,292,098, and for the corresponding period of 1916 the gross sales were $31,174,449, an increase of $11,882,351, or 61⅔%.

Gulf States Steel Co.—Net operating income was $364,471, an increase of $108,293 over September, and an increase of $260,816 over October, 1915. Current earnings are at rate of about 73% on the common stock. October results broke all records as to earnings and shipments.

Hayes Wheel Co.—The Hayes Wheel Co. of Jackson, Mich., has increased its capital from $1,000,000 to 1,500,000. The company is preparing to manufacture wire wheels, in addition to its regular output, which reaches 1,000,000 sets of wheels a year.

Hercules Powder.—During first nine months to Sept. 30 did a gross business of $43,875,018 and earned a balance for its $7,150,000 common of $12,832,400, or 179%. Profits for the fiscal year to Dec. 31 last were 63.1%.

Independent Brewing Co. — Reports for year ended Oct. 14, net profits amounting to $1,318,286, against $950,297 in 1915; surplus after charges, including preferred dividend, $297,240, against $117,766 in 1915. In 1913 the surplus showed a deficit of $544,391, making the increase since that date $1,862,677.

Inland Steel Co.—Declared regular quarterly dividend of 2% payable Dec. 1 to stock of record Nov. 10.

International Agricultural.—Has reduced its current liabilities $500,000 since report of June 30. Present liabilities are $1,300,000, which is $7,000,000 less than the disturbing total of June 30, 1911.

International Nickel. — When plans for proposed construction and improvement work in Canada have been completed the company will have increased its capacity approximately 40%, or from an annual output of 60,000,000 pounds of nickel to between 80,000,000 and 90,000,000 pounds.

International Paper Co. — Earned more than $2,000,000 in past four months. The company will soon renew contracts for the greater part of its 1917 output of newsprint, at a price not less than 3 cents per pound, f. o. b. mill, which is understood to be 1¼ cents better than last year's contract prices. This would mean a gross next year of almost $25,000,000 from newsprint alone, if the company's mills maintain their output at 1,800 tons daily.

Kresge Co.—The October sales of the S. S. Kresge Co. were $1,379,460, an increase of $293,045, or 27% over 1915. In the ten months to Oct. 31 the sales were $11,158,471, an increase of $2,108,423 or 23 3/10% over same period in 1915.

Kress & Co.—October sales were $1,379,460, an increase of $293,045, or 27%, over 1915. In the ten months' sales were $11,158,471, an increase of $2,108,423, or 23 3/10% over corresponding period of 1915.

Lackawanna Steel.—Earnings in October established a new high record, being approximately $1,250,000 net after all charges, or at annual rate of slightly over $43 a share on the $34,750,000 stock.

Lee Rubber & Tire Corp.—Pres. Garthweiate says company is now turning out about 1,000 tires a day, and expect to have the output up to 1,500 within a few months. Difficulty in getting materials and labor have delayed increased production.

McCrory Stores Corp.—Reports sales for October of $562,821, against $468,819 for 1916, an increase of 20.05%. Sales for nine months through September are $4,956,727, against $4,222,938 for same period of 1915, an increase of 17.35%.

National Motor Car.—Making additions to their plant which will enable them to produce 6,000 cars in 1917.

New York Air Brake.—Recently closed orders for 2,500,000 3-inch brass cartridge

cases and for 1,600,000 fuses for 3-inch high explosive shells.

Pressed Steel Car.—Gross for 1916 expected to reach $36,000,000, against $17,492,000 in the 1915 year.

Railway Steel Spring.—It is claimed the company for the past four months has been earning at rate of 21% on its $13,500,000 common after taking out the 7% dividend on the same amount of preferred. The full year is estimated at about 16%.

Republic Iron & Steel.—This company's ingot output for October exceeded 100,000 tons.

Sears Roebuck.—October sales were $11,212,095, an increase of $4,960,611 or 44%; for ten months, $110,918,298, an increase of $24,189,514, or 27%.

Sloss Sheffield.—Sales for October totaled 64,000 tons. The company has 90,000 tons of iron in its yards which it is unable to move because of shortage of cars.

Studebaker Corp.—Reports for nine months ended Sept. 30 show earnings of $8,140,420 compared with $7,082,497 for 1915.

United Cigars Co. — Declared regular quarterly dividend of 1¾% on the preferred stock, payable Dec. 15 to stock of record Nov. 29.

U. S. Steel.—Unfilled tonnage on Oct. 31 was 10,015,260 tons, an increase of 492,676 compared with that on Sept. 30.

MR. TIP PICKS ANOTHER WINNER. *—The Lamb.*

Railroad and Industrial Inquiries

Chic. Gt. Western

W. W. F., Milwaukee, Wis.—Chicago Great Western (Common) is very far removed from dividends and we are not inclined to favor the stock to hold for investment purposes. On a few point advance from present levels, we believe you would do well to sell out. If you wish to put your money into some stock with the idea of holding for several years, we would suggest that you pick out a dividend payer or one that has prospects of paying dividends soon, such as Southern Railway Pfd., or Erie 1st Pfd.

Wisconsin Central

E. C. J., Germantown, Philadelphia, Pa.—You are correct in understanding that earnings are running at the annual rate of from $8 to $12 a share on this stock, according to the latest available information. The reason for this stock being held down is that dividends are not expected any time in the near future. The policy of the company is to plow earnings back into the property. The road is under very able and conservative management and we have faith in its future. However, we would not suggest a purchase of the stock at this time because of our belief that technical conditions in the stock market are not favorable to advancing prices. We think you would do well to wait until a more opportune time, for we believe you will have a chance to get the stock at a lower price and will not be forced to carry it in the meantime.

Virginia-Carolina Chem.—Amer. Woolen

H. M. J., Buffalo, N. Y.—American Woolen pfd. and Loose-Wiles 1st pfd. we regard as a little too speculative for a woman to purchase for permanent investment purposes. The former is making very large profits at the present time, but it is uncertain what the company will be able to earn after the war is over and competition from the other side becomes keen. Loose-Wiles in 1915 failed to earn the preferred dividend. Virginia Carolina Chemical pfd. we regard with more favor. In recent years this company has never failed to earn the preferred dividend and for the last two fiscal years ended May 31, 1916, and May 31, 1915, the preferred dividend was earned with a very large surplus to spare. This surplus was not paid out in common dividends, but used to strengthen the financial condition of the company. We believe the preferred stock, now to be in a strong position.

U. S. Steamship

D. P. G., New York City.—U. S. Steamship was recently incorporated with $25,000,000 authorized stock, par $10, of which $2,500,000 was issued. The company has closed several large shipping contracts, and is now operating a large fleet. Recently it chartered the S. S. *Minnesota*, one of the largest freight boats afloat. Mr. C. W. Morse is president. Should the war last another year, prospects are that it will go materially higher. A sudden ending of the war, on the other hand, would probably cause a slump. The company is paying 1% bi-monthly.

Chevrolet Motor

C. J. R., Cleveland, Ohio.—This company is under the direction of one of the most successful men in the automobile industry, Mr. William C. Durant. It has been placed on a strong footing financially. A further expansion of the company's facilities is planned, involving the building of a plant in Oakland, Cal., Fort Forth, Atlanta, Minneapolis, and Kansas City. The Oakland plant alone is expected to increase the output 50%, from 10,000 cars a day to 15,000 a day. If the present prosperity in the motor industry continues, there should be no question as to the increased earning power resulting from the operation of these plants, but we are dubious as to the outlook for the motor industry as a whole, particularly for the cheap car manufacturers. We believe that a period of severe and hurtful competition is in prospect for the cheap car manufacturers. Rising costs of material and labor are constantly reducing the margin of profits for cars. Competition which may lead to a further cutting of prices by the cheap car manufacturers may thus cut sharply into their earnings. It is these uncertainties ahead which the market for the motor stocks is now discounting, and while it is quite possible that these issues may have already declined unduly, we are not bullish on them, especially for the long pull. We do not, therefore, suggest a purchase of Chevrolet stocks.

Inter. Mercantile Marine

L. K., Monaca, Pa.—International Mercantile Marine for the seven months ended July 31, 1916, showed earnings at the rate of $85 per share per annum on the preferred stock, after allowing for all taxes including the British 60% war tax. These earnings, however, are not all available for the payment of the 82% back dividends on the preferred, as the company, under the readjustment plan, has had to spend about $35,000,000 for the retirement of the bonds and other purposes. Earnings from now on, however, can largely be used to pay off the preferred back dividends, and should earnings continue at their present rate for another twelve months, and it is likely that they will should the war last that long, it is quite probable that by that time all the back dividends will be liquidated. Both the common and preferred stocks are highly speculative and should the war end suddenly, they would probably have a big slump.

Baltimore & Ohio

W. D. L., Point Pleasant, N. J.—This stock can be given only a fair rating. The

factor of safety over ten years has been only about 38%. The earnings on the common stock in the last five years have been as follows: 1916, 7.29% (partly estimated); 1915, 5.49%; 1914, 4.50%; 1913, 7.22%; 1912, 7.58%.

The dividend was reduced from 6% to 5% in 1915. The Baltimore & Ohio has skimped on its maintenance charges in previous years. That is the reason now that net earnings are showing such a small increase, when all of the other big roads are showing large increases. It has been found necessary to replace and repair equipment on a larger scale than heretofore. This is brought out clearly in the September earnings statement, showing an increase in gross over the corresponding month of last year of $898,028, whereas the increase in net was only $119,120. The previous month's report was less favorable than this. Expenditures for up-keep during the month of September aggregated $778,906. The present policy of the management is, of course, commendable and should result eventually in putting the Baltimore & Ohio where it belongs, but in the meantime there does not seem to be much prospect of an increased dividend for a long while to come. We are not inclined to the opinion that the stock will go very much lower, as it is now selling out of line with other railroad stocks and it is at least fairly certain that the 5% dividend will be maintained.

St. Louis & San Francisco

S. D. S., Highland Park, Mich.—Generally speaking, we do not believe this is an opportune time to buy any stocks, especially railroad stocks. The market appears to be at an uncertain stage of the advance, and while rallies may be expected, we are inclined to the opinion that the trend is turning downward. In any declining market we believe that sentiment would be especially bearish on the railroads on account of the many uncertainties ahead of them. We are inclined to favor "Frisco" less than some of the other reorganization issues.

Norfolk & Western

F. W. C., Philadelphia, Pa.—If you are long of Norfolk & Western we certainly suggest that you close out. It has occurred to us, however, that you may be short, as we advised Trend Letter subscribers to go short in a recent campaign and if so we feel it would be to your advantage to remain short in the expectation that you could cover at a better profit. But, if you do so, we suggest that you protect your commitment with a stop order of two points.

Spicer Mfg.

F. P. J., New York City.—Both preferred and common issues are now covered by a very large margin of earnings. You must bear in mind, however, that the automobile industry is enjoying a period of unprecedented prosperity. This has led to great expansion of facilities of all automobile and automobile accessory companies. There are fears as to the approach of a period of severe and hurtful competition. Material and labor costs are rising and price cutting is taking place, so that the margin of profit is being reduced and may show a much greater reduction. As regards the preferred stock of this company, we are of the opinion that even in a period of depression the dividend would be secure. But the point to remember is that the issue is new and unseasoned. If you purchase this stock you should buy outright to hold as a long-pull investment.

Willys-Overland

B. N., Toledo, Ohio.—Willys-Overland. The present earnings of this company are sufficient to justify a much higher price for the stock, but many people believe that a state of overproduction has been reached in the automobile field, and that competition will become very severe and result in price cutting and a lessening of profits. We are not inclined to favor the motor stocks, therefore. If we were in your position we would be inclined to sell.

Federal Dyestuffs & Chemicals

V. M. G., Simsbury, Conn.—Federal Dyestuffs & Chemical was incorporated in Delaware, and then a company by the same name was incorporated in New York and took over the assets of the Delaware corporation. The New York company is capitalized with 300,000 shares of stock, no par value, and $2,000,000 bonds. The company has been manufactuing splphur colors for some time now, and has a capacity of 10 tons daily. Recently it started work on the construction of new plants at Kingsbridge, Tennessee, where it is planned to manufacture analine and other dyes, as well as caustic soda and various products. At present prices for its products the company is in a position to make large profits, but what it will be able to do when the war is over is very uncertain. There is the possibility, of course, that the United States Government will protect this industry. There are good people interested in the company. A. B. du Pont is chairman of the board.

Lehigh Valley

W. C. P., Towanda, Pa.—Lehigh Valley has recently had such a speculative advance that we are inclined to look upon it as a risky purchase at this time, because of our belief that the general market is headed for a decline of some importance, owing to the development of a weak technical position. The company now stands to profit very largely, of course, from its coal properties on account of the sharp jump in coal prices, and this may inject a speculative element in the situation that will furnish the basis of a further advance.

BONDS AND INVESTMENTS

Bond Yields to Decline?

Peace Will Bring Enforced Economies Abroad—Less Demand for Our Goods—Prices of Commodities to Fall and Securities Prices to Rise

By JULIUS SOMAN

OF paramount interest to the investor today is the interpretation of existing facts, to the end that an accurate forecast of the future trend of investment yields may be made. Mr. Edw. R. Doyle in the November 11 issue of THE MAGAZINE OF WALL STREET, under the title "Trend of Bond Yields," says: "Factors favoring higher yields are offset with factors favoring lower yields and between the two forces it is difficult to accurately determine the resultant," and in the course of his article he very ably presents one side of the argument to the conclusion that "the general yield trend should be upward, especially on the consummation of peace."

High interest rates are brought about by a greater demand for new capital. A demand for new capital at high interest rates means a producer who finds an increased demand for goods which would justify an enlargement of his capacity for production. Those who are of the opinion that higher bond yields will obtain after the war believe that such an era of expansion in business will then take place. Let us see if this opinion is justifiable.

As for this country, it has been estimated that 750,000 American workers are at present engaged directly or indirectly in supplying the war needs of Europe.

The war destruction in Europe will leave those countries greatly impoverished and those who survive will inherit a legacy of debt which already exceeds per family the life savings of the average working man. The end of the war will find these countries in keen competition with each other for the remnants of their former export business, urging upon their workers efficiency and economy. Taxed to the limit of endurance these people will be forced to make great sacrifies towards the liquidation of their debts and, except for the machinery actually needed in the rehabilitation of industry, this economy will undoubtedly take the form of a decreased per capita consumption of goods.

Furthermore this resumption of industry is in itself but another source of increased supply. Increased supply combined with decreased demands means lower prices for goods and a lower "cost of living." But what is the relation between bond yields and "cost of living"?

The war in Europe has created an unusual demand for goods and is directly responsible for the "high cost of living." The cessation of hostilities will be the signal in this country for reduced production and lower prices. This means an increase in the intrinsic value of such security investments by the enhancement of the purchasing power of their income.

History substantiates this theory. High prices for goods and extraordinary interest rates have prevailed during war periods with tendency to lower prices and interest rates on the approach of peace. Bank discounts are at 6% in England today and the commodities index is the highest in her history. With peace, the urgency of buyers' demands cease. Business men are more cautious and any business expansion takes place on conservative lines.

Wise investors are looking forward to that "Mecca" of "bargain hunters"—the period immediately following the declaration of peace, just before the uncertainties of the future shape themselves into the more definite form of positive lower bond yields.

Bond Investors' Guide

In the following table are arranged according to class the principal active issues of bonds listed on the New York Stock Exchange, the income being figured at the latest available selling price for lots of 20 bonds or more. They are divided into groups, according to the grade and character of the bonds.

This table is presented for purposes of comparison only, and mention of a bond issue is not to be construed as a recommendation. Our object is merely to show the relative yield of different bonds of each of the several classes.

RAILROADS

(1) High grade mortgage bonds, many of which are legal investments for New York State Savings Banks.

Description.		*Due.*	*Int. Period.*	*Price Nov. 15.*	*Yield.*
Hock. Val. 1st cons. g. 4½'s	Jl.	1999	J.—J.	93	4.80
Ore. Short Line, guar. ref. 4's	D.	1929	J,—D.	93⅛	4.70
Wabash, 1st g 5's	My.	1939	M.—N.	105⅝	4.60
Balt. & Ohio, Southw. Div., 1st g. 3½'s.	Jl.	1925	J.—J.	92⅛	4.58
Cent. Pac., 1st 4's	Ag.	1949	F.—A.	90¾	4.53
Balt. & Ohio, g 4's	Jl.	1948	A.—O.	92¼	4.48
Southern Pac. 1st ref. 4's	Ja.	1955	J.—J.	92⅜	4.40
Chic., Mil. & St. P., gen. g 4's, Ser. A.	My.	1989	J.—J.	91¾	4.40
Louisville & Nash., uni. g. 4's	Jl.	1940	J.—J.	95½	4.30
Balt. & Ohio prior 3½'s	Jl.	1925	J.—J.	94	4.82
Chic., Burl. & Q., Ill. Div., 3½'s	Jl.	1949	J.—J.	86	4.29
Chic., Burl. & Q, gen. 4's	Mch.	1958	M.—S.	99	4.01
Atch., Top & S. Fe., gen. g. 4's	Q.	1995	A.—O.	94	4.25
Chc., Burl. & Q., Ill. Div., 4's	Jl.	1949	J.—J.	96½	4.18
Northern Pac., prior lien g. 4's	Ja.	1997	Qu.—J.	94	4.27
Union Pacific, 1st & ref. 4's	Je.	2008	M.—S.	92	4.36
Chic. & N'west., gen. 4's	N.	1987	N.—N.	94¾	4.28
Central of N. J. gen. g. 5's	Jl.	1987	J.—J.	117½	4.24
N. Y. Central & H R., g. 3½'s	Jl.	1997	J.—J.	84⅛	4.14
Ches. & Ohio, gen. g. 4½'s	Mch.	1992	M.—S.	92¼	4.9
Chic., Rock Is. & Pa., gen. g. 4's	Ja.	1988	J.—J.	88	4.58
Atlantic Coast Line, 1st g. 4's	Je.	1952	M.—S.	93¾	4.35
Northern Pac., gen. lien g, 3's	Ja.	2047	Qu.—F.	66⅞	4.54
M. K. & Tex. 1st g. 4s	Je.	1990	J.—D.	63½	6.5
Ches. & Ohio, convt. 5's	Apr.	1946	A.—O.	94⅞	5.3
Del. & Hud., Alb. & Sus., conv. 3½'s	Apr.	1946	A.—O.	87½	4.27
Union Pac., 1st R. R. & land grant g 4's.	Jl.	1947	J.—J.	100	4.00

(2) Collateral trust bonds selling at prices relative to the value of the underlying collateral.

Atl. Coast L., L. & N., coll., g. 4's	O.	1952	M.—N.	87⅛	4.76
Southern Pac., g. 4's (Cen. Pac. coll)	Aug.	1949	J.—D.	88⅛	5.25
Erie, Pen., coll. tr. g. 4's	F.	1951	F.—A.	89½	4.62
Gt. Nor. (C. B. & Q.) coll. tr. 4's	Jl.	1921	J.—J.	98¾	4.29
N. Y. C. & H. R., Lake Shore, coll g 3½'s	F.	1993	F.—A.	77	4.58

(3) Convertible bonds having no mortgage lien whose quotations are governed largely by the price changes of the stock into which they are convertible.

Atch. Top. & S. F., conv., g. 4's	Je.	1955	J.—D.	105½	3.74
Union Pacific, 20-yr., conv. 4's	Jl.	1927	J.—J.	94⅝	4.60
Chic, Mil. & St. Paul, conv. 4½'s	Je.	1932	J.—D.	100⅝	4.45
Ches. & Ohio, conv. 4½'s	F.	1930	F.—A.	86	6.0

Description.	*Due.*		*Int. Period.*	*Price Nov. 15.*	*Yield.*
Erie, 50-yr. conv. 4's, Ser. B	Apr.	1953	A.—O.	72½	5.75
Erie, 50-yr., conv. 4's Ser. A	Apr.	1953	A.—O.	68	6.25
Southern Pac., 20-yr. conv. 4's	Je.	1929	M.—S.	88⅜	5.25
Atch. Top. S. F., 10-yr. conv. g. 5's	Je.	1917	J.—D.	100¼	5.0
N. Y., N. H. & Hart., conv. deb. 6's	Ja.	1948	J.—J.	112½	5.25
Atch. Top. & S. F. conv. 4's (issue 1910)	Je.	1960	J.—D.	105½	3.99

(4) Debenture bonds most all of which are selling on high level because of the good general credit of the respective companies.

Chic., St. Paul, M. & O., deb. 5's	Mch.	1930	M.—S.	101½	4.98
Lake Shore, deb. g. 4's	S.	1928	M.—S.	96⅛	4.48
Lake Shore, 25-yr. g. 4's	May	1931	M.—N.	95¾	4.40
N. Y. Cen. & Hud. Riv. deb. gold 4's	May	1934	M.—N.	92⅞	4.60

(5) Semi-investment bonds, many of which are general mortgages, often classified as "business man's" investments. Income yield is reasonably definite index of relative worth.

Chic., Rock Is. & Pa., 20-yr. deb. 5's	Jl.	1932	J.—J.	71¼	8.25
Denver & Rio Grande, 1st & ref. 5's	Ag.	1955	F.—A.	71	7.25
Seaboard Air Line, adj. 5's	O.	1949	F.—A.	66½	7.75
K. C., Ft. S. & M. Ry., ref. g. 4's	O.	1936	A.—O.	79⅛	5.75
Kansas City Sou., ref. & imp. 5's	Apr.	1950	J.—J.	91	5.5
Erie, 1st cons. gen. lien g. 4's	Jan.	1996	J.—J.	84¾	4.75
Southern, dev. & gen. 4's, Ser. A	Apr.	1956	A.—O.	76½	5.5
West Maryland 1st g. 4's	O.	1952	A.—O.	75⅝	5.5
Missouri Pac. 1st & ref. conv. 5's	S.	1959	M.—S.	96¼	5.
N. Y., W'ches. & B. 1st Ser. 1, 4½'s	Jl.	1946	J.—J.	75½	6.25
Wabash, 2d gold 5's	F.	1939	F.—A.	100	5.00
Southern, 1st cons. g. 5's	Jl.	1994	J.—J.	102⅛	5.0

STEEL BONDS

Illinois Steel, deb. 4½'s	Apr.	1940	A.—O.	93¾	4.95
Rep. Iron & Steel, 10-30-ys. 5's, s. f.	Ag.	1940	A.—O.	100¼	5.0
National Tube, 1st 5s	May	1952	M.—N.	102	4.85
Indiana Steel, 1st 5's	May	1952	M.—N.	104¼	4.75
Lackawanna Steel, 5-yr. conv. 5's	Apr.	1923	A.—O.	100¼	5.0
Bethlehem Steel, 1st ext. s. f. 5's	Ja.	1926	J.—J.	104	4.47
Bethlehem Steel, 1st & ref. 5's gu. A	May	1942	M.—N.	102⅛	4.80
U. S. Steel, s. f., 10 60-yr. 5's, coup	Apr.	1963	M.—N.	106⅞	4.65

TELEPHONE AND TELEGRAPH BONDS

Pacific Tel & Tel. 1st 5's	Jl.	1937	J.—J.	102	4.8
South Bell Tel. & Tel. 1st s. f. 5's	Ja.	1941	J.—J.	101¾	4.9
Am. Tel. & Tel. coll. tr. 4's	Jl.	1929	J.—J.	92⅜	4.8
N. Y. Tel. 1st & gen. s. f. 4½'s	N.	1939	M.—N.	99⅜	4.5

MISCELLANEOUS INDUSTRIAL BONDS

Am. Tobacco, gold 4's	Ag.	1951	F.—A.	83	5.0
Ligget & Myers Tobacco, 5's	Ag.	1951	F.—A.	102	4.8
Am. Smelt Sec., s. f. 6's	F.	1926	F.—A.	120	4.4
Am. Ag. Chem. 1st c. 5's	O,	1928	A.—O.	103⅛	4.6
Cent. Leather, 20-yr. g. 5's	Apr.	1925	A.—O.	103½	4.5
West Electric, 1st 5's	D.	1922	J.—J.	103	4.39
U. S. Rubber, 10-yr. coll. tr. 6's	D.	1918	J.—D.	102¾	4.45
The Texas Co., conv. deb. 6's	Ja.	1931	J.—J.	105⅝	5.6

Bond Inquiries

Three Railroad Bonds

F. E. A., Brooklyn, N. Y.—The principal and interest on this issue is guaranteed by the Chicago, Rock Island & Pacific Railway, and that fact entitles the bond to a fair rating. We do not consider them first class, however, although they have possibilities of appreciating in value in the near future, owing to the readjustment and strengthening of the Rock Island's position by the reorganization.

Kansas City Southern Refunding & Improvement Mortgage 5's (90¼) are high grade. The principal is quite secure, and the bond has a permanent and substantial future. The price is apt to respond in changes to margin of safety.

Fonda Johnstown & Gloversville First Consolidated 4½'s due 1947. This is an exceptionally high grade issue. The present bid price is 83, but this does not reflect the real market value of the bond, because there are practically no offers in the market and the bid would have to be raised considerably, no doubt, to bring out any offers.

United Ry. of Baltimore 4's

K. V., Montreal, Canada.—Income Mortgage 4% Gold Bonds of the United Railways and Electric Co. of Baltimore.—Thirty Year Funding Bonds 5% of the same company. In 1915 the company earned over and above its bonded interest and earned the sum of 6.19% interest on its common stock. It has paid since 1913, 1% quarterly on its common stock. Both bonds seem to be good investments. We should not suggest selling them unless you can reinvest in something equally safe on a better paying basis.

Brooklyn Rapid Transit

R. S., Rochester, N. Y.—Brooklyn Rapid Transit is earning 6% with a slim margin to spare. When the new subways are opened in 1918, it is uncertain just what the effect will be on the finances of this company, and we therefore regard it as a risky speculation.

United Railway Investment 5's

M. C. J., York Haven, Pa.—United Railways Investment Col. Trust 5s we do not recommend as a reasonably safe investment. Generally speaking, it is our opinion that the market for securities is now in a very uncertain stage, and we are cautioning investors against purchases. This is a good time to be long of cash and to wait for a substantial decline in security prices, when there should be an opportunity to pick up some real bargains. You may be guided as to a favorable occasion to buy by following our magazine columns, particularly the Outlook.

Third Avenue 5's

H. M., Jr., New York City.—This security appears to be safe so far as the company's ability to pay the interest is concerned, and we believe that its decline is merely a sympathetic one resulting from the decline in the stock and the falling off in earnings. We think it probable that the price is now scraping bottom, and hesitate to suggest your taking a loss. If you bought these bonds for investment, we believe you will do well to hold them.

Wheeling & Lake Erie 5's

H. E. L., Rochester, N. Y.—No specific provision has been made in the reorganization plan for these bonds. The reorganization managers have full power to adjust the claims of the holders thereof, either by payment of cash or by leaving the bonds undisturbed in the reorganization, or any other way that they may deem advisable.

Interborough 5's

D. R. M., New York City.—Interborough Rapid Transit 5% bonds are exempt of income tax but New York Central 4½s are subject to income tax payable by the holder.

Southern Railway 4's

H. A. J., New Orleans, La.—Southern Railway General Mortgage 4s. We believe it would be to your advantage to exchange these bonds for the new Southern Railway 4½s. This new issue will be covered by practically the same mortgage as the present issue, and the purpose of making it is simply to have a more marketable bond. The Southern Railway at present is prospering and its future is quite optimistic, so that we are inclined to the opinion that your security would be perfectly safe, and that the value of the new bonds will appreciate.

Armour 4½'s

S. E. A., Huntington, N. Y.—Armour & Co. 1st 4½s may be considered a very high grade security and we do not hesitate to recommend it as a safe investment for a woman.

Hudson & Manhattan 5's

R. W. H., St. Louis, Mo.—Hudson & Manhattan 5s and Adjustment Income 5s. The first of these securities seems to be a reasonably secure investment, so far as equity in property is concerned, but there is still some uncertainty as to their ultimate position related to earning power. These bonds, of course are directly responsive to a rise or fall in earnings. The Adjustment Income 5's are highly speculative. The paid interest of 2% per annum on these bonds was not earned last year. The interest will probably be earned this year, however.

PUBLIC UTILITIES

Telephone Securities

Their Development and Present Investment Position—American Telephone & Telegraph—Ratings of Subsidiary Stocks—Outline of Cost Factors

Part I.

By EDWARD R. DOYLE

ON November 6, the following quotations were noted:

American Tel. & Tel. Co..133 (yielding 6.0%)
New England Tel. & Tel...129 (yielding 5.3%)
Bell Tel. of Canada........149 (yielding 5.3%)

The query naturally suggested itself as to why the last two companies, which are subsidiaries of the American Telephone & Telegraph Co., should sell on a lower yield basis than the parent company, in view of the latter's greater resources and earning power. Either the subsidiaries were selling too high or the stock of the holding company too low. After a careful analysis of the situation the writer is of the opinion that A. T. & T. stock at 133 a share has not fully discounted the company's strong financial position, its present rate of earnings and prospects, rather than that the subsidiary stocks are selling too high at the prices mentioned. This article and the one succeeding give in detail the reasons for that conclusion.

Telephone securities are now one of the most popular forms of investment in the public utility field. Many reasons may be given as to why these stocks are so popular. Telephone companies are usually monopolies and competition does not enter into their earning power. The general tendency for public utilities is to increase in value owing to the growth of population. Telephone investments are known to pay comfortable yields when well managed. But perhaps the most important reason why telephone stock is such a desirable security is the fact that even the "sleeping investor" who never watches his investments is brought into daily contact with the telephone and perhaps, on becoming a subscriber, has the unique pleasure of complaining to his own company about the service. From close familiarity with the telephone the investor assumes that he knows a good deal about the telephone business.

Strength of Utility Stocks

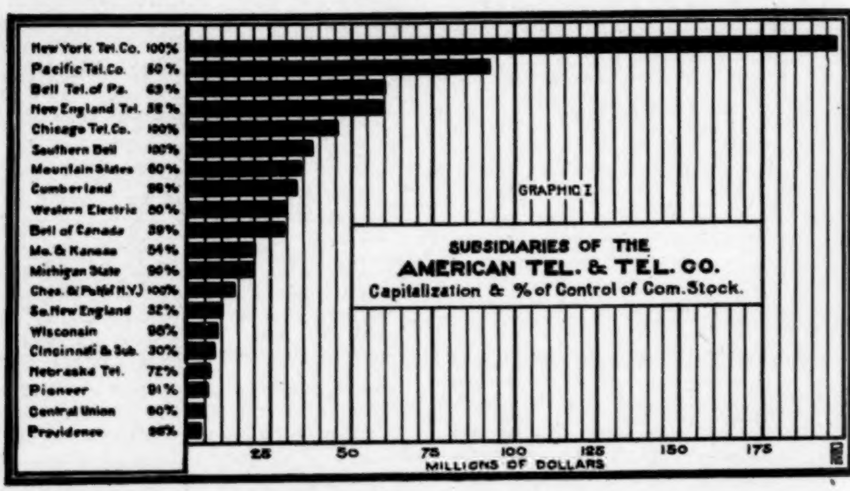
The investor who is looking for an attractive public utility security will probably think of telephone as soon as he thinks of utility, though as a matter of fact, telephone utilities are being classed as industrials by the later day students of corporation finance. However, passing as a public utility, it enjoys the general approval put upon these securities by reason of their resistance to panic depreciation at the beginning of the war. In the panic of 1907, the stock of the American Telephone & Telegraph Co. sold down to 88. In the war panic of 1914, this stock had become so well protected by earnings that it did not go below 114. This means a high salability and the small investor will appreciate this. The small investor also wants a stock which pays a moderate but regular dividend. American Tel. & Tel. has paid its dividends regularly since its organization. Since 1907 it has paid 8% without impairing its surplus or working capital.

The telephone business began in about the same way in which the aeroplane industry is now beginning. Anyone who could string up a few wires and install a few clumsy devices called telephones could organize a so-called telephone company and sell stock to the public at fancy prices. Competition in the large cities soon reduced the num-

ber of operating companies to about one in each, save in a few cities where the illusion of competition has led the municipalities to continue competitive franchises beyond the period of proven wastefulness. Then began the process of educating the public in the use of the telephone. It was a long time before the telephone was considered a good investment. Few business men felt that they could afford a telephone in the early days. Gradually it became a necessity and an asset.

Telephone Combinations

As soon as the telephone companies had begun to interlock their long distance service under the direction of the American Bell Telephone System, it was only natural that that organization should begin to accumulate the properties of the smaller companies. While Wall Street was looking about in 1900 for new fields for consolidation, the telephone business became an early prey to the "combination fever." In one way, the great unification of telephone lines may prove a disadvantage to the telephone stockholders. The gradual nationalization of a public utility makes its acquisition by the government a comparatively simple matter. While such a contingency may be several generations away, it is safe to say that the consolidation by private individuals has brought the day of possible public ownership much nearer.



The American Telephone & Telegraph Co. is the largest telephone company in the world. Its acquisitions of subsidiary companies have been going on continuously and each company is benefited by the co-ordinated strength of the entire system.

Some of the companies acquired have been bought outright. Some have been bought in by majority control of shares. Some are merely under friendly working agreements, while others have been forced to sell out under pressure of competition. The general policy of the parent company has been to absorb as large a portion of the subsidiary stock as possible and to this end many issues have been converted in the last few years.

Ratings of Subsidiaries

Since 1910 the company has acquired the stocks of the subsidiary companies on the basis indicated in table I.

During 1911 the company offered to exchange its stock for minority stock in the companies indicated in table II.

These facts will show that the investor is gradually being forced to turn his investment into A. T. & T. shares if he becomes interested in telephone securities. One will have difficulty in finding shares of either subsidiary or

independent telephone companies traded in the outside markets. At the same time, there is still a considerable number of independent companies, particularly in the western part of the United States. According to the census of 1914, these compare as follows with the Bell System:

	1907 Bell	1907 Independ.	1912 Bell	1912 Independ.
Capital	*$294	*$162	*$397	*$188
No. of telephones	*3,132	*1,774	*5,087	*2,239
No. of employees	17,039	5,780	110,468	7,318

	Five-Year Increases Bell	Independ.
Capital	25%	13%
No. of telephones	38%	20%
No. of employees	84%	21%

* Millions

As most of the independent lines depend upon the Bell System for toll connections, there is every reason to believe that these lines will eventually be absorbed into the great nationalizing Bell System. The recent opening of the New York-San Francisco long distance wires shows how rapidly the Bell System is co-ordinating the general organizations. The public has been educated to such a point that it is demanding the highest standards of service in every respect. Every item of equipment furnished to the public must be made of the finest material. Phone booths have to be installed in public buildings. Exchange operators have to be paid to wait on telephone consumers. The great variety of telephone instruments and pieces of equipment for every requirement of telephony which have to be kept in stock for emergencies is enormous. One storm may cause hundreds of thousands of dollars' damage to toll wires in isolated districts. Floods, fires and other accidents make annual losses run high. Then, too, the fact that women are employed as operators in the majority of exchanges makes it necessary to establish and sustain elaborate schools in order to keep up the supply of available operators.

TABLE 1

A. T. & T. AND SUBSIDIARIES' STOCK EXCHANGE BASIS.

$100 Bell Telephone Co. of Buffalo stock for	$66.66	A. T. & T. stock
$100 Southwestern Tel. & Tel	85.71	
$100 Bell Telephone Co. of Penn.	87.50	
$100 Central District Telephone Co.	93.75	
$100 Central Union Telephone Co.	37.50	
$100 Chicago Telephone Co.	100.00	
$100 Cumberland Tel. & Tel	100.00	(or $160 in bonds)
$100 Michigan State Telephone Co. com	80.00	
$100 Missouri & Kans. Telephone Co.	42.85	
$100 Nebraska Telephone Co.	75.00	
$100 New York & New Jersey Telephone Co.	100.00	
$100 Pioneer Tel. & Tel. Co.	87.50	
$100 Western Tel. & Tel. Co. com	20.00	
$100 Western Tel. & Tel. Co. pfd	75.00	(and $5 cash)
$100 Wisconsin Telephone Co.	100.00	
$100 Bell Telephone Co. of Philadelphia	100.00	Bell Tel. Co. of Pa. stock
$100 Hudson River Telephone Co.	66.66	Bell Tel. Co. of Pa. stock
$100 New York Pennsylvania Tel. & Tel. Co.	50.00	Bell Tel. Co. of Pa. stock
$100 Pennsylvania Telephone Co.	100.00	Bell Tel. Co. of Pa. stock
$100 Chesapeake & Potomac Tel. Co.	66.67	Bell Tel. Co. of Pa. stock

telephone business in the United States.

Higher Operating Costs

The telephone companies are now in a process of perfecting their internal

In general, the operating costs even under combined management are inclined to increase.

The public is also coming to realize its power as a controller of telephone

charges. Through public service commissions and State legislatures as well as municipal assemblies, the restrictive force of the consuming public is being felt. In many of the large cities, public opinion favors flat rates tending toward a maximum of $.05 a call without regard to distances. There is an almost constant agitation for the reduction of tolls, contracts, etc. How far this will be carried in the future is hard to say. In many cases, however, high rates usually react against the company, for consumers restrict their calls or service when the rates are high, under the law of marginal utility.

dent that the fundamental position of the telephone in American life is undisputed.

Factors of Operating Costs

Turning from the external aspects of the telephone business to the internal organization, we find that the operating situation is generally favorable to the companies. The amount of capital investment required is not very large in proportion to the gross earnings. Thus in 1915 the gross earnings of the A. T. & T. were $239,909,000, while the capital investment was $793,947,000, making the gross revenue equal to about

TABLE 2

COMPANIES WHOSE STOCK WAS EXCHANGED FOR A. T. &. T. STOCK

Missouri & Kansas Tele. Co.	1,663,500	$300 A. T. & T. for $700
Central Union Telephone Co.	785,500	300 A. T. & T. for 800
Bell Telephone Co., Missouri	2,956,200	600 A. T. & T. for 700
Western Tel. & Tel. Co. com	6,856,500	100 A. T. & T. for 500
Western Tel. & Tel. Co. pfd	3,812,400	300 and 20 cash for 400
Cumberland Tel. & Tel. Co.	8,534,550	par for par
Chicago Telephone Co.	12,950,050	par for par
1914:		
Pacific Telephone & Tel. Co.		2 shares of A. T. & T. for 9 P. T. & T.

As to the "telephone consumption" in the United States, some interesting data has been collected showing that the American is far more dependent upon the telephone than the foreigner. The *World Almanac* shows the following:

City	No. of Phones Per Cap.	Total No. of Phones
Chicago	16.2	403,050
Detroit	12.9	89,053
Cleveland	12.8	90,107
Boston	12.6	185,299
St. Louis	11.6	102,106
Philadelphia	10.8	181,129
Pittsburgh	10.6	88,850
Cincinnati	10.6	62,907
New York	9.7	558,929
Compared with:		
London	3.5	258,895
Paris	3.2	95,033
Berlin	6.6	154,800

Considering the fact that the Bell System has 9,150,000 connected subscriber stations, with, say 3,000,000 stations of independent lines, there is a total of at least 12,000,000 stations in the United States, or 6.5 phones per capita. Whether there is such a thing as a "saturation" point or not, it is evi-

30% of the capital investment, compared with 17% for the Great Northern Railroad, 48% for the United States Steel Corporation, and about 10% for the Interborough Rapid Transit.

The following table is an estimate of the cost factors of telephone operation:

Factor	% of total operating cost
Labor	50
Equipment	20
Depreciation	20
Good Will	10
	100 or 80% of gross revenue
Div. and interest.	20% of gross revenues

The item of "good will" has been included because of the fact that the telephone company depends largely upon public opinion for its demand in service and in economy of operation. The telephone company must be continually carrying on educational work, mainly in the form of advertising. It must also spend large amounts for special services not necessarily obligatory to the telephone company. The amount of advertising carried on by the A. T. T. is enormous, probably exceeding $1,000,000 a year. Part of the item of

good will naturally falls under the regular service charges, but if 10% seems to be high, at least in the case of the American Tel. & Tel. Co., it is proving effective in establishing the stability of subscriber stations and traffic.

The Labor Factor

The item of labor is by far the most serious element in the telephone business. Although every effort is made by the telephone company to establish uniform wages and to make promotions on a basis of efficiency it is very probable that the wage element as a factor in the telephone business will increase in importance. While telephone operators are not unionized generally, such an organization is always a possibility. Owing to the fact that the conditions under which the employees work are unusually attractive and the pay is somewhat above the level of the same grade of work in other businesses, there has never been any need for any such organization among the employees. However, if the cost of living continues to increase in at anything like the present rate, it is probable that the telephone companies will have to scale up their operating costs in this factor. The succeeding article will deal with the financial status of the company in relation to the market values of its securities offsetting the adverse factors given with those more favorable.

(To be continued.)

EARNINGS ON COMMON STOCKS.

Available Statistics of Important American Tel. & Tel. Companies

Div. Rate	% Stock held by A.T.&T.	Company (1915)	Thousands Stock	Bonds (& debt)	1915	1914	1913	1912	1911	1910
8	..	Am. T. & T.......	380,477	120,182	9.52	9.38	9.59	9.86	10.01	10.34
	(Operates long distance lines and is parent holding company of many subsidiaries)									
8	39	Bell T. Canada....	18,000	3,649	9.27	9.2	10.0	10.6	10.6	12.4
4	65	Bell T. Missouri...	10,788	(about	4	4	4	4	4	8)
6	69	Bell T. Penna....	59,996	160	8.5	8.1	8.0	7.6	7.8	....
7	67	Central District....	15,000	9,950	..	..	..	..	..	....
..	80	Central Union T...	5,450	35,620	Receivership 1914 (no divs. since 1896)					
8	100	Chicago T. Co....	27,000	18,998	11.6	9.5	9.7	9.4	8.4	8.4
10	30	Cincin. & Sub....	8,283	....	11.2	10.8	11.5	10.6	10.1	10.4
..	100	Cleveland Tel. ...	6,000	2,000	..	..	..	..	..	....
6	†98	Cumberland	11,080	16,250	8.0	6.2	6.8	10.6	..	....
..	100	*Iowa Tel. Co.....	1,203	750	..	..	..	..	..	....
..	54	Mo. & Kans. Tel..	13,627	7,840	..	..	..	..	..	....
6	72	Nebraska Tel.....	7,500	....	..	..	..	..	..	....
7	58	New Eng. Tel....	47,905	11,905	7.1	7.0	7.3	7.7	8.1	....
8	100	New York Tel....	125,000	73,420	11.0	10.1	11.4	11.3	10.3	10.0
..	100	Northwestern T...	12,000	5,000	..	..	..	..	..	....
..	50	Pacific T. & T.....	18,000	42,673	..	..	..	..	..	....
8	91	Pioneer T. & T...	7,100	....	..	..	..	..	..	....
8	96	Providence Tel....	4,000	....	10.0	13.4	13.5	12.4	6.0	6.1
..	51	Rocky Mountain...	2,369	....	..	..	..	..	..	....
7	32	South. New Eng...	10,000	1,000	8.4	7.3	7.6	8.0	7.2	7.1
6	100	Southern Tel......	11,080	21,925	..	..	..	..	..	....
6	100	South. Bell (N. Y.)	214,000	17,307	7.4	7.7	7.8	9.2	8.0	7.4
..	106	Southwest (N. Y.).	35,000	5,000	..	..	..	..	..	....
		Subsidiary Manufacturing Company:								
6	80	Western Elec......	15,000	15,000	18.8	17.8	21.1	17.1	16.5	22.5
		(Shares:	15,000							
8	98	Wisconsin Tel.....	9,012	149	12.9	11.2	10.2	8.1	8.1	....
..	90	Michigan State....	6,000	10,052	7.0	..	4.1	3.1	5.8	....
4	100	Ches. & Pot. (Va.)	4,247	2,170	..	..	..	..	..	....
6	100	Ches. & Pot. (N.Y.)	13,000	1,291	6.1	8.0	8.0	8.1	..	....
7	60	Mountain States...	33,795	789	9.8	9.3	9.6	9.3	9.1	....
		Average (of those given:			9.4	8.9	9.5	9.6	8.5	10.9

Public Utilities Notes

Adams Express Co.—Reports total operating revenue for July amounting to $1,981,184, as compared with $1,614,381 in the same month in 1915. Net after taxes $96,499, against $148,907 for same period in 1915.

American Express.—Declared extra dividend of $2, payable Jan. 2 to stock of record Nov. 29. Regular quarterly dividend of $1.50 a share was also declared, payable on same date. The extra is taken from income from company's investments. This virtually places American Express stock on 8% basis.

American Gas & Elec. Co.—Construction of new central generating station of 90,000 kilowatts capacity at Windsor by the Central Power Co., a subsidiary of Amer. Gas & Elec., is proceeding satisfactorily, and first deliveries of power will be made in February.

American Light & Traction. — Reports show 15.5% gain in gross income for year ended Sept. 30. Eliminating item of "other income," which shows decrease from preceding year, and taking only the earnings on the stocks of subsidiary companies owned, the surplus profits for the year ended Sept. 30 was $5,184,616, an increase of 22.3% over the preceding year.

American Tel. & Tel.—Reports for September and nine months ended Sept. 30, show increase in net operating revenue amounting to $981,559 for the one month, and net for nine months of $6,880,395.

Boston Elevated. — Mayor James M. Curley, before special committee considering financial status of the Boston Elevated, strongly advocated that the Commonwealth take over the Cambridge subway, and lease it to the Elevated.

Brazilian Traction, Light & Power Co., Ltd.—Offering of $7,500,000 three-year 6% secured gold notes is first offering of South American securities, other than government or municipal bonds, made in New York. Previous financing done in London and Canadian markets.

Brooklyn Edison Co.—Will fight Public Service Commission which directed company to reduce rates to retail customers from 11, 8 and 4 cents per kilowatt hour to 8, 6 and 4 cents an hour. New rates will cut off $1,200,000 to $1,500,000 of company's revenue.

Brooklyn Rapid Transit.—Gross receipts in October increased $107,250, a gain of 4.7%, following an increase of $110,000 in September, $166,000 in August, and $109,250 in July. October increase, therefore, smaller than previous months in present fiscal year.

Central Power & Light Co.—Charter has been granted, with capitalization of $1,000,000, consisting of 10,000 shares common stock, of $100 par value.

Philadelphia Rapid Transit.—Sept., 1916, gross $2,226,059, compared with $2,009,979 for same period in 1915; an increase of $216,080. Net, $1,015,275, as against $894,488 of 1915, an increase of $120,787. Three months gross, 1916, $6,590,825, compared with $5,847,648 for 1915, an increase of $743,177. Net, three months, $2,935,092, against $2,549,718 for 1915, an increase of $385,374. Surplus aften charges $490,403, against $101,569 in 1915, an increase of $388,833.

Peoples Gas Light & Coke.—New gas rates of 75, 65 and 35 cents predicted to average 70½ cents per 1,000 cubic feet, an important feature of the offer made by People's Gas Co. to city for next 5 years. Company also proposes to take all gas consumers into profit sharing form of partnership expected by its representatives to amount to 2¼ cents per 1,000 cubic feet, bringing estimated average price down to 68¼ cents for domestic consumers. Sliding scale will resemble that of Commonwealth Edison.

Pacific Gas & Electric.—Net earnings for year ended June 30, after allowing for heavy reserves, were $8,322,000, compared with $6,390,000 in 1911. Net earnings have increased about 31 per cent. since general and refunded 5 per cent. bonds were offered in 1912 at 92½. In the same time annual fixed charges increased from $3,584,000 to $4,047,000, or only 13 per cent. Company during same period issued $13,200,000 preferred stock and proceeds invested in the property. Market value of the company's stock increased since the original offering of bonds from $25,000,000 to about $40,000,000, while the bonds are still selling around their offering level.

Republic Railway & Light.—Nine months gross ending with September equals $2,930,649, compared with $2,234,921 for 1915. Net $1,227,992, against $863,590 in 1915, and surplus after charges, $599.

United Railways & Investment.—Reports for the year ending June 30, show gross earnings for 1916, $34,495,572, as against $32,574,111 for 1915; net, $15,979,224, against $13,925,586 for 1915; balance for dividends, $2,830,272, against $2,071,424 for 1915.

United Light & Railways.—Combined gross of subsidiaries was $6,736,188, a gain of 9.5 per cent., while combined net was $2,676,829, a gain of 12.4 per cent. and the combined surplus of the operated properties for the year, $1,277,711, an increase of 24.7 per cent. over the preceding year. United Light & Railways total income for the year was $1,850,435, a gain of 21.5 per cent. over the preceding 12 months. Revenues from the operated properties increased 22.7 per cent., dividends and interest on investments increased 17.7 per cent. and miscellaneous earnings increased 24.2 per cent. for the period.

Utah Power & Light.—Has filed with Secretary of State certificate of increase in capital stock from $49,000,000 to $60,000,000.

Public Utilities Inquiries

Western Union

F. E. L., New York City.—Western Union cannot be regarded as a conservative investment for a woman. This company is earning a large margin for its dividend requirements and there is a possibility of an extra distribution but present earnings must be considered as abnormal.

Western Power

E. W. A., New York City.—Western Power Corp. (common 19). We are inclined to consider this a fair speculation for a long pull. Earnings at present are showing an improvement over 1915. In that year a balance for the common equal to 4.39% was earned after allowing for preferred dividends. There are accumulated dividends of about 6% on the preferred stock. The present dividend rate is 1% quarterly or 4% per annum.

This company operates properties in fifteen of the Central Counties of the State of California over an area of approximately 4,000 square miles, with a population of about 1,000,000. It is a holding company controlling through ownership of all or the large majority of stock, of the following companies:

Western Power Co.
Great Western Power Co. of California.
Great Western Power Co.
California Electric and Generating Co.
Cities Electric Co.
Consolidated Electric Co.

San Francisco Oakland & Sacramento Cities are some of the centers of population under the system. Electric service only is sold, although in certain cities, by-product steam service is also supplied to consumers. A large amount of stored water is sold in bulk for irrigation after having been used for generating electricity.

Cons. Gas of Baltimore

R. J. H., Waterloo, Ont., Canada.—The recent strength and activity of the stock has been due largely to the fact that a substantial interest in the securities of the company has been acquired by New York bankers. There are also good prospects of the dividend being increased from 7% to 8% per annum. This company has a very excellent record and has not failed to earn over 10% on its common stock since 1911. In the year ended June 30 last, 13.89% was earned on the common stock. The stock has therefore substantial investment merit and also good speculative possibilities, and we regard it fairly attractive at its current quotation, but believe that it may be due for some reaction on account of the recent advance.

Third Avenue

C. F. J., Utica, N. Y.—The decline in this stock has been due to the sharp falling-off in earnings as a result of the strike. September gross revenues decreased about 55% and there was a deficit after taxes of $121,263, compared with a surplus in September, 1915, of $334,000. October earnings are running at the rate of about 60% on normal. It is clear on this showing that the road cannot maintain its 4% dividends and it is fully expected that this will be reduced, if not passed altogether. The situation certainly is not encouraging for the stock and we believe it will sell lower, despite its already substantial decline.

Cities Service, Pfd.

V. H. J., Brooklyn, N. Y.—Cities Service we regard as one of the most attractive investment stocks before the public. A preferred stock of this kind, of course, cannot be regarded as safe as many other securities and that is why we place it fairly well down the list, but you must take into consideration that the securities we rate above it nearly all give a smaller return on the money.

So. Cal. Edison

A. W., New York City.—The dividend on the common stock was increased one quarter of one per cent at the last quarterly meeting when 1¾% was declared payable November 15. The preferred of which there is $4,000,000 outstanding, has been put on a 1¾% quarterly basis also, and it shares equally with the common in dividends after both have received 5%. For the nine months ending September 30, this company showed net income of $879,309 against $805,899 for the corresponding period of 1915. On this basis, it is estimated that about 7.68% will be shown on the common for the full 1916 year against 6.79% actually earned in 1915. The company is in good financial condition. Its future seems to be assured by the prospects of a steady growth in population and wealth of the territory it serves in Southern California.

The action brought by the City of Los Angeles to acquire the distributing system of this company in that city is likely to result in a long drawn out fight, and it is impossible at this time to predict whether or not it will result unfavorably for this company. We believe these stocks at their present selling price pretty well discount favorable factors in the situation and the immediate outlook, although we do not expect any material decline from this level.

MINING AND OIL

Amortizing Copper Investments

Investor Must Consider Life of Properties — How to Figure Amortization of Investment in These Stocks—Coppers Now Selling on a Speculative Basis

By BARNARD POWERS

WHEN Utah Copper's price recently crossed Anaconda (the successor to the old Amalgamated, it was a market triumph of the new school over the old. Amalgamated, through its size, wide distribution of its stock and the publicity it received at the time of its flotation, together with the activity of its market movements, was for years recognized as the bell-wether of the copper stocks. When one spoke of "Copper" everyone knew that Amalgamated, and later Anaconda, was meant. Anaconda represented the vein mining theory of mining and Utah the new school of the so-called "porphyry" mining, which has as one of its fundamentals, the treatment of large tonnages of low grade ore on relatively small margins of profits per ton.

IMPORTANT STATISTICS ON SIX LEADING LOW-GRADE COPPER PROPERTIES.

	Utah	Chino	Ray Con.	Miami	Inspiration	Nev. Con.
Capitalization	$16,244,900	$4,349,900	$15,712,790	$3,735,570	$18,419,500	$9,997,285
Funded Debt	....	....	160,500	....	6,544,500	....
*Working Cap.	13,297,922	5,747,130	4,195,865	2,895,567	270,534	5,823,522
Surplus	31,788,694	11,608,514	7,886,539	5,170,758	600,062	11,921,406
Earning power per share.	$4.79[1]	$3.52[2]	$1.63[3]	$2.30[4]	....	$1.74[5]

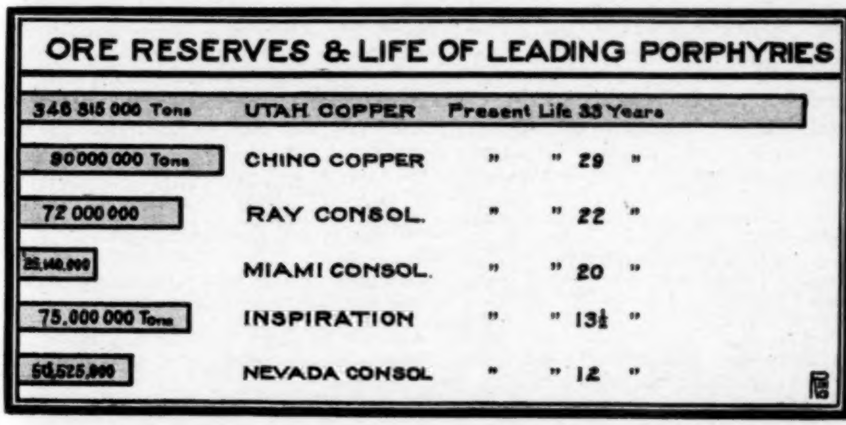
* Based on last annual report.
[1] Based on 8½ years' average, June 30, 1907, to Dec. 31, 1915.
[2] Based on 5 years' average, Jan. 1, 1911, to Dec. 31, 1915.
[3] Based on 5 years' average, Jan. 1, 1911, to Dec. 31, 1915.
[4] Based on 5 years' average, 1910-1915.
[5] Based on 6 years' average, 1910-1915.

Amortization

In the vein school of mining accountancy it was never thought good form or feasible to set aside a reserve from each year's earnings to take care of the gradual consumption of ores. While such a depreciation charge would be very desirable, it was impractical for the reason that there was no way of determining with any degree of accuracy the lives of vein mining properties, and hence no way in which to base such a charge. With the porphyries it is different. In their case it is possible, in fact it is not difficult to "block out" the area of their ore bodies, and by simple mathematical calculations, determine the ore tonnages. Then to find out the life of the property it is only necessary to divide the developed tonnages by the annual rate of tonnages mined. The Graphic shows the tonnages and the estimated lives of six of the leading low-grade copper producers. It is probable that all of these properties will last longer than the figures show, since some new ore is almost sure to be developed in every case as mining operations progress. In the case of Utah, for instance, it has never been determined to what depth its ore bodies extend in some localities. Utah has a third of a century of existence in sight at the present time and its managers see no reason for spending money to

develop further ore bodies at this time.

Utah Copper on the basis of proved ore developed has a life of 33 years operating at full the present plant capacity. The company had a surplus, on December 31 last, earned and from the sale of its securities, of $31,788,694, or approximately $19.50 per share on the 1,624,490 shares outstanding. The purchaser of Utah stock at 118 a share (the price at this writing) after allowing for his interest in the accumulated surplus, must count on the company earning at least $3 per year for the next 33 years in order to amortize the investment. The method of figuring is shown in the following:



Cost of 1 share of Utah	$118.00
Deduct pro rata surplus per share	19.50
Balance	$98.50
Yearly amount necessary to amortize balance in 33 years	3.00
Annual interest on investment at 10%	11.80
What Utah must earn per annum in order to amortize the investment at 118 and at the same time yield 10%	14.80

Utah, with copper at 20c a lb. can earn close to $18 per share, but at 15c a lb. it is estimated that earnings would be about $10.80 per share, so it appears that a price of 118 per share for Utah discounts an 18c copper market since on 18c copper Utah could earn approximately $15 per share per annum. At first glance it might appear strange that on a 30c copper market Utah should be selling at a price warranted by an 18c copper market, but it should be remembered that these are unprecedented and abnormal times in the copper industry, and that over a period of years before the war, the price of copper averaged in the neighborhood of 14c a lb. On the other hand, if the war lasts another year with a continuation of higher copper prices, it is obvious that there will be a very large chunk of earnings to be taken into consideration when figuring amortization as Utah's earnings for the current year are figured around $26 per share.

Chino Copper has a surplus of $11,608,514 or approximately $13.35 per share. If the stock was purchased at $66 there would remain $52.65 to be amortized in 29 years, after deducting the pro rata surplus per share of $13.35. Thus, the Chino Company would have to earn $1.81 on account of principal each year and an additional $6.60 for interest or a total of $8.41. At 15c copper Chino can make about $6.60 per share, and on 20c copper approximately $10.85. So it appears that Chino's price of $66 discounts a copper metal price of between 17 and 18c a lb.

Ray's accumulated surplus as last reported, represents about $5 per share, so that at a price of $34 Ray would have to earn $29 in 22 years to amortize the investment, or at the rate of $1.61 per annum. Adding to this interest at 10 per cent. per annum on

$34 would bring the total to $5.01. This is about what Ray can do on 20c copper so it would seem that Ray's price comes nearer to discounting present high prices for metal than either of the two companies mentioned previously. In Ray's case, however, it must be remembered that the management has developments under way to effect a considerable increase in production (ultimately at the rate of 130,000,000 lbs. per annum) so that by next year Ray's earnings ratings will have to be revised upward.

Miami's surplus figures out to about $6.90 per share, which would leave $34.10 to be accounted for in the next 20 years, on a purchase price of $41 per share. Miami could amortize stock bought at that price by earning $1.70 per annum, and by earning $4.10 additional, or a total of $5.80, which would not only provide for amortization, but 10 per cent. on the investment price of 41 in addition. On 18c copper Miami should be able to earn approximately $6 per share per annum.

Inspiration being a comparatively new comer into the producing field has not had time to build up any considerable surplus, and the $600,000, round figures, shown in the last balance sheet, is equivalent to only about 50c per share. Bought at $68 per share there would remain $67.50 to be amortized in approximately 14 years, or at the rate of $4.10 yearly. Ten per cent. per annum would call for an additional $6.80, making a total of $10.90. On a 20c copper market, Inspiration should be able to earn at the rate of slightly in excess of $12 per annum, so that at $66 per share, it would appear that Inspiration is selling at a price justified by 19c copper metal.

Nevada Consolidated has a surplus of nearly $2,000,000, or approximately 95c per share on its 2,000,000 shares. Bought at 27 per share Nevada would have to earn $1.75 per annum to provide for amortization on the investment, and $2.70 additional to earn 10 per cent. interest, or a total of $4.40 per annum. Nevada could do slightly better than this on 20c copper.

In figuring on the amortization of these companies it is, of course, impossible to adopt any arbitrary set of figures. The incalculable elements of increased or reduced production, changing labor and material costs, discoveries of new ore bodies, and above all, the element of metal price changes, cannot be predicated for any considerable time ahead. The only safe way for the investor who buys to hold is to use an average metal price figure, which is generally placed at 14c a lb. The foregoing discussion shows clearly that the leading porphyries are selling on the basis of a metal price closer to 20c than 14c. In short, that the position of the copper stocks is speculative and not investment at this time. Of course, two or three more years of war and high copper prices, such as are now prevailing, would warrant not only the present prices for the coppers, but much higher quotations, but that possibility belongs to the speculator, not the investor. In short, as has been often stated in these pages, the time to buy copper stocks is when the metal is cheap and not when it is high.

ESTIMATED 1916 EARNINGS AND DIVIDENDS OF SIX LEADING LOW-GRADE COPPERS.

	*1916 Est. Earnings per Share	Div. Rate	Recent Market Price	Yield on Market Price	1916 Div. to Date
Utah	$26.25	$6[1]	$118	5.0%	$8.50
Chino	16.00	5[2]	66	7.5%	5.75
Ray Con.	8.00	2[3]	34	5.9%	1.75
Miami	11.35	6	41	14.6%	5.75
Inspiration Con.	18.25	8	68	10.7%	5.25
Nevada Con.	7.50	2[4]	27	7.1%	2.25

*Based on 26c. copper.
[1] Paid $4 extra Sept. 30.
[2] Paid $1 extra Sept. 15.
[3] Paid 25c. extra Sept. 15.
[4] Paid 50c. extra Sept. 15.

Mining Digest

Alaska Gold.—Milled during October 158,000 tons of ore yielding an average of $1.33 per ton, as compared with 135,760 tons and average yield of $1.30 in September, and 114,183 tons yielding $1.42 in January. Total amount of ore milled during first 10 months of this year was 1,518,945 tons.

Allouez.—Is in position to turn out more than 1,000,000 pounds of copper monthly when the labor shortage condition has been relieved.

American Zinc.—Earned net profits of $1,713,000 for quarter ending September 30. Orders are booked as far in advance as August, 1917.

Anaconda Copper.—Production for October was second largest month in history of company, and amounted to 31,500,000 pounds, an increase of 2,100,000 pounds over September output. Previous high record was in April, with an output of 33,300,000 pounds.

Arizona Copper Co.—Reports production of 4,900,000 pounds of copper for October, against 4,180,000 in September. October production duplicates previous high record for this year, which was in May.

Boston & Corbin Mining Co.—Produced 860 tons of concentrates during October, an increase of 18.45% over September. Concentrates yielded approximately 67,800 pounds of copper, an increase of about 26.85% over the previous month.

Butte & Superior.—In first nine months of current year earned $6,564,870, equal to $23.86 per share on amount of stock outstanding at time each of three individual dividends was paid. Total dividends paid out during first three quarters amount to $27.75, including two extras of $10 each and an extra of $5. The regular dividend was increased from $3 to $5 per year.

Calumet & Arizona.—Estimated production for 1916 is approximately 72,000,000 pounds of copper, compared with 65,269,000 pounds in 1915, and 52,668,000 pounds in 1914.

Calumet & Hecla.—Estimated profits for 1916 amount to more than $115 a share. Adding percentage of profits of subsidiaries for 1916 estimated profits run close to $160 a share.

Cerro De Pasco Copper.—Has declared quarterly dividend of $1 a share, payable Dec. 1 to stock of record Nov. 17. October production was 6,000,000 pounds of copper, compared with 5,800,000 pounds in September, 6,000,000 pounds in August and 6,350,000 pounds in July.

Chile Copper.—October production showed 4,542,000 pounds, against 4,038,000 in September and 3,020,000 in August.

Chino Copper.—Reports the largest production for any single quarter since property was placed on producing basis, the quarter's output being approximately 2,000,000 pounds better than previous high record of quarter ending in September, 1915.

Consolidated Interstate Callahan.—During the three months ended September 31 produced 17,451,243 pounds of zinc crude ore and concentrates and 1,454,562 pounds of crude lead ore and concentrates. Mill recovery during the period was 85.7% of metal content of the ore, compared with 80.99% in previous quarter.

Copper Range.—Declared regular quarterly dividend of $1.50 and an extra of $1, and special dividend of $1. The two previous dividends were $1.50 and $1 extra; nine months ago $1.50 was declared. The stock is to be traded on the New York Stock Exchange, being the first Michigan copper producer on the Exchange. It has a yearly capacity of 40,000,000 pounds.

Dome Mines.—Declared regular quarterly dividend of 5%, or 50 cents a share, payable Dec. 1 to stock of record Nov. 20. The war tax fixed by the Canadian government at $27,502 is less than 7 cents a share on the 400,000 shares outstanding.

Interstate Callahan.—Reports for quarter ended September 30 a total net income of $661,064, and surplus of $405,727.

Island Creek Coal.—Earned during first half of current year a net profit of $478,429, which is equal to about $4 a share on the 118,000 shares of common stock, after providing for dividend on the 50,000 shares of preferred. Present dividend rate on common is $2 a share.

Kennecott Copper.—October production of 7,300,000 pounds of copper was 700,000 less than September, and compares with August production of 10,200,000, and 10,750,000 pounds in July.

Kerr Lake Mining Co.—Produced in September 203,074 ounces silver, compared with 181,244 last year.

Magma Copper.—Report for quarter ending Sept. 30 shows production of 2,153,364 lbs. copper, compared with quarter ending June 30, amounting to 2,232,936. The cost per pound was reduced from 10.47 cents to 9.95 cents. Operating profit for September quarter was $314,425, against $305,025 in previous quarter. This is equal to approximately $5.20 a share annually on the outstanding 240,000 shares, compared with $5 a share in previous quarter, and $4.50 in the quarter ended March 31. (Figures do not include results of recent "strike" on 1,500-foot level). The management has drifted down along the rich "strike" on the 1,500-foot level for a distance of 80 feet. The character of the ore and its persistence to depths indicates that Magma will eventually develop a very large body of comparatively high-grade ore.

East Butte Mining.—Understood to be earning at rate of $4.50 a share on its outstanding stock, against $1.90 earned last year. Production is at rate of 1,800,000 pounds a month.

Freeport Sulphur Co.—To increase stock outstanding from $2,000,000 to $3,500,000 and sell the stock at a price to shareholders that gives a value of $300 to the right to subscribe to each new share. This stock recently sold at $800 a share.

Goldfield Consolidated.—During September total production was 28,500 tons, with net realization of $16,072.

Great Northern Ore.—Has 2,000,000 tons of ore on surface ready for shipment.

Greene-Cananea.—October production amounted to 6,030,000 pounds of copper, the largest monthly production in its history. September production was 4,900,000, and August 5,000,000 pounds of copper.

Homestake Mining Co.—Declared regular monthly dividend of 65 cents, payable November 25 to stock of record November 20.

Inspiration Copper.—October production was 11,300,000, compared with 4,017,000 pounds in October, 1915. September production was 11,850,000 and August production 11,450,000.

Mohawk.—Has increased rock shipments to 63,000 tons a month. Copper output is estimated to run 1,120,000 pounds.

Nevada Consolidated.—Report for quarter ended September 30 shows production of 24,585,393 pounds of copper, compared with 24,091,021 in previous quarter. Profits were $3,901,197, compared with $4,853,945 in previous quarter.

New River Co.—On the bulk of New River's preferred stock, $6,700,000, there is $48 a share accumulated dividends as of Nov. 1. On $600,000 there is $45 outstanding and there are small lots with various amounts running less than $45. The company is planning to clear this situation, making all into one class of stock with an equal amount of accrued dividends.

North Butte Mining Co.—Has struck 1½ feet of sulphide ore in its Northwest tunnel. This strike was made 200 feet in from the mouth of the tunnel, being driven to explore its new properties. The ore shows on assay 3¼% copper and 2⅓ ounces of silver.

Pond Creek Coal.—Is understood that November net will be benefited to extent of $10,000 additional profits by free coal.

Ray Consolidated.—Will earn better than $12,000,000 net for the current year, according to indications, which will be equal to about $8 a share. October production approximated 7,500,000 pounds of copper.

Semet-Solvay Co.—Has purchased 7,300 acres of coal land in Tuscaloosa county, Alabama. Purchase price is said to be about $500,000.

Shannon Copper Co.—October production of 757,000 pounds was an increase of about 13,000 pounds over September, but both months were below normal. August was 925,000 pounds and July 968,000. In May it reached 1,072,000 pounds.

Shattuck-Arizona Copper.—Production for October amounted to 1,663,671 pounds of copper, compared with 1,566,446 in September. Total production for the ten months was 15,206,701 pounds of copper. Lead production for the ten months was 2,669,888 pounds, silver 275,995 ounces, and gold 4,180 ounces.

Tonopah Extension.—Reports for September receipts of $146,638 and operating profits of $65,352.

United Verde Extension.—Reports cash on hand Oct. 1 amounting to $1,037,341, and amount due on ore shipped, approximately $2,500,000, making a total of $3,537,341.

Utah Apex Mining Co.—Stockholders at annual meeting authorized reduction of company's capitalization of 600,000 shares, par value $5, to 120,000 shares of $25 par value. Number of directors was reduced from nine to five.

Utah Consolidated Mining.—Directors at their final dividend session of the year doubled the quarterly payment to be made in December from 75 cents to $1.50 a share, making a total for 1916 of $3.75. Net profits of about $7 a share will be realized from 1916 operations. The company has been producing copper at rate of about 1,000,000 pounds and lead at rate of 1,500,000 pounds monthly. Increased dividend will be paid on Dec. 20 to stock of record Nov. 25.

Utah Copper.—Will expend $1,000,000 in enlarging its tailings dam and adding 1,400 acres to its tailings ground. Utah Copper Company's own production, plus its 51% interest in that of Nevada Consolidated, is at an annual rate of close to 300,000,000 pounds of copper.

Utah Fuel Co.—Output is at the rate of 800,000 tons of coal a year and is said to be in position to produce 2,500,000 tons when the car shortage situation is overcome.

Wolverine.—Shipped 27,000 tons of rock in October, assuring a production of approximately 450,000 pounds of copper.

Mining Inquiries

Magma

H. H. B., New York City.—By all means do not place a stop loss order of three points on Magma. We regard this stock as a long pull investment and it has been our suggestion that it be purchased outright and put away if possible. We expect to see holders who get in under $60 a share, realize very handsome profits. You will be advised through the Trend Letter when we consider it a favorable time to sell.

Nevada Consolidated

S. L. H., Tyrone, Pa.—Nevada Consolidated. With the high price of copper and the present output of this company of 100,000 pounds per annum, the earnings for the present year are estimated to be about $7 per share.

In our opinion, however, the price of copper metal and the price of copper shares have, generally speaking, reached their climax. We do not think the present is a good time to purchase stocks, especially stocks that are dependent upon the continuation of the war or upon the continuation of the present boom.

Howe Sound

A. G. H., West Falls Church, Va.—Howe Sound can be considered a fairly attractive copper speculation. There is still much development work to be done on the property, however, and just how large a producer it will be in the near future depends on how quickly and efficiently this development work is accomplished. There is substantial tonnage of developed and probable ore. There are nearly 3,000,000 shares outstanding, par value $1.00.

Cresson Gold Mining

H. C. W., New York City.—Cresson Gold Mining has been a profitable producer since 1912 and has been paying dividends. The current rate is 10 cents per share monthly. The company has about $1,250,000 cash in the treasury and claims over $4,250,000 profits in sight from ore blocked out. However, at the present price of 8½ per share we cannot say what the immediate price movement will be. There are very good people in control of this property and in the long run they will prove highly successful as they make very few mistakes.

Butte Copper & Zinc

T. W. S., West Haven, Conn.—Butte Copper & Zinc has uncovered high grade zinc ore and copper, estimated at 1,000,0000 tons. A favorable contract made with the Anaconda Company for the development and treating of this ore should be of great benefit to the company. It has $2,500,000 stock, par $5. The stock is non-assessable. No dividends have been paid as yet. The company owns its property in fee simple under perfect title and has no debts. The Anaconda Company owns 188,000 shares.

It is a little too early to make an estimate as to what the mine's daily output will be, as it has just started production. With the price of zinc at its present level, this mine will undoubtedly be a large earner, but it must be remembered that when the war is over the price of zinc will probably work back to its normal level of 5c. a lb.

We believe that under favorable market conditions this stock should advance somewhat.

Tonopah Extension

P. G. H., Gary, Ind.—Tonopah Extension, can be regarded as an attractive mining speculation. The silver market will probably remain high for several years after the war and in that event it is likely that the company's operations will prove very profitable, and that dividends can be maintained at a high rate. While ore reserves are not very large, the development work should prove satisfactory over at least three or four years. You do not mention the price which you paid for this stock, and we are not therefore in a position to advise you as intelligently as we should like to. From what you say, we are inclined to suggest that you hold the one thousand shares you now have in the expectation that the price will eventually go higher, but we do not think it advisable for you to buy more at the present level.

Pittsburgh Coal

T. P. J., Wilkinsburg, Pa.—Pittsburgh Coal. The readjustment plan of the Pittsburgh Coal Co. has undoubtedly put the common stock in a better position for dividends. We do not believe the situation, however, warrants the expectation that payments will be started in the near future.

La Rose

M. F. W., Utica, N. Y.—La Rose Mining, in its last annual report for the year ending December 31, 1915, showed a surplus of $926,645. As of September 30, 1916, the operating companies had a cash surplus of $806,717. We have not heard of intimations that an assessment will be levied. The company last year took over the Maiden McDonald claims in the Township of Delora, but there is no late information as to what has been done on this property. In March, President McGibbon stated that the only high grade ore in sight at that time was a small amount contained in pillars in the La Rose Mine, but in the extraction of this ore and in the general cleaning up of this mine it was probable that other small bodies would be discovered.

Oil Notes

American Cotton Oil Co.—Report for year ended Aug. 31 shows net profit amounting to $2,524,292, compared with $2,514,403 in 1915; surplus after preferred dividend $1,416,543, which is equal to 7.01% on the $20,237,100 common stock, against $1,427,-487, or 7.05% on same stock of previous year.

American Oil.—Are beginning operations on their holdings in the Greybull district, Wyoming. Their rig is capable of sinking to depth of over 3,000 feet. They also own property in the Elk Basin fields.

Cosden & Co.—Has declared regular quarterly dividend of 2% and an extra of 5% on the common stock, payable Nov. 23 to stock of record Nov. 15.

Crescent Pipe Line Co.—Has declared usual quarterly dividend of 75c. a share, payable Dec. 15. Books close Nov. 21; re-open Dec. 16.

Elk Basin Feld.—There are now 27 producing wells in the district, and the daily output is placed at 6,000 barrels per day. Twelve wells are owned by the Greybull Refining Co., and 15 by the Ohio Oil Co.

Oklahoma Oil Co.—Drilled in a gasser at depth of 2,520 feet; at seven feet in the sand was estimated to be producing at rate of 10,000,000 cubic feet per day. Later drilling has materially increased the flow of gas.

Oklahoma Producing & Ref. Co.—Extended privilege to stock of record of Dec. 11 of subscribing $1,625,000 of capital stock of company, consisting of 325,000 shares of $5 par value, at $8 per share.

Pan-American Petroleum.—Reports for six months ended July 31, total income of $182,633; net earnings $172,671.

Prairie Oil & Gas.—Is said to have purchased property in Cushing field with daily production of about 7,000 barrels; paying approximately $7,000,000 for the property.

Southern Oil Transport Co.—Will begin deliveries Jan. 1 on contract for purchase of 5,000,000 barrels of oil by Standard Oil of N. J.

Standard Oil of California.—Its three refineries are reported working day and night to keep up with demand for refined products.

Texas Co.—Refining capacity in last three years has been increased from 12,000,000 to 24,000,000 barrels a year; casing plant capacity has been increased from 3,000,000 to 5,000,000 2-5 cases a year. Asphalt capacity has been enlarged from 80,000 to 180,000 tons a year.

Oil Inquiries

Southern Oil & Transport

S. J. J., Fall River, Mass.—Southern Oil & Transport is not without possibilities, but we do not favor the purchase or holding of this stock now. So far as we know the company is under good management. The speculative possibilities lie, of course, in the development of the company's holdings of oil lands in Mexico, and while political conditions in that country are so uncertain, we believe that the immediate future of all the companies which have important interests there is more or less uncertain.

Metropolitan Petroleum

L. P., Racine, Wis.—Metropolitan Petroleum is in our opinion a decided speculation. The par value of the stock is $25, and there is an authorized capital of $12,000,000, in addition to $3,000,000 of bonds. The company claims to hold a very large acreage in some of the best oil sections in Mexico. It is not possible to determine the value of these holdings, and furthermore the political situation in Mexico is uncertain and we feel that there is an element of speculation as to the future of nearly all the oil producing companies in that country.

National Transit

P. G. J., New York City.—This company, as you are doubtless aware, has just declared a dividend of 50 cents per share, payable December 15, which is the first dividend paid since the par value of the capital stock was reduced from $25 to $12.50 and a cash payment of $12.50 made to stockholders out of surplus. While there is not much to encourage stockholders in the future outlook for the pipe line transportation end of the company's business, there is promise of good returns in the future through the National Transit Pump & Machine Co., all of whose stock is held by the National Transit Co. The former, we understand, is now getting into a position where its business will show tangible results. This company is one of the oldest manufacturers of oil machinery in the country, and in view of the steady growth in the demand for its products, there is little doubt that the company will be able to expand its business and earnings.

Penn Mex Fuel

M. F., Oil City, Pa.—Penn Mex Fuel has recently had a good advance and since the position of this company is involved because

of the uncertain condition of affairs in Mexico, we hardly feel warranted in recommending it as an attractive purchase at this time. Eventually we expect that the stock will be worth very much more than its present selling price. We know of no low priced oil stock at present that we consider more attractive than Oklahoma Producing & Refining, and Cosden. While these issues may react somewhat further, we suggest that you consider a repurchase of them unless you are willing to go into some of the higher priced oil stocks.

Midwest Refining

J. F., N. Y. City.—Midwest Refining is on an 8% basis at the present time and of course cannot go on an 8% basis in December as recently stated.

United Western Oil

J. W. M., Brooklyn, N. Y.—United Western Oil is in our opinion a very speculative issue. The company owns some good acreage in California, from which the production is about 10,000 barrels a day, or over. Its earnings from the sale of this oil have not been officially stated, but we understand from reliable sources that they do not exceed a rate of about 20% per annum. The company is appropriating a large part of its earnings for development work, and for the acquisition and development of new property in Wyoming, so at present there does not seem to be much room for the expectation that dividends will be paid any time in the near future. The value of the company's Wyoming holdings, we believe, is very uncertain. Although a quantity of literature has been published and circulated, there is very little data on which to base any judgment as to the possible value.

Atlantic Refining

R. B. S., Kingston, La.—No official line on this company's earnings is available. Various estimates have placed earnings at the rate of 200 to 300% on the stock. It is difficult to determine the exact earnings on the Standard Oil stocks, even from the statements issued by the company. This company is paying dividends at the rate of only 20% per annum. The reason for the stock selling so high is on account of the small relative capitalization, which has led to the belief that sooner or later a very large stock dividend will be given to the stockholders.

Midwest Oil

R. G. F., Lancaster, Pa.—We believe these issues have very good speculative possibilities. Accrued dividends are now being paid off on the preferred stock, and it is expected that by the end of the year back dividends will be cleared up and the way opened for dividends to be started on the common. The company is earning at the rate of about $150,000 a month. It has an assured outlet for its production through working agreements with the Midwest Refining Co.

Technical market conditions we believe have more than anything else to do with holding the stock down.

Anglo-American Oil

F. G., Chicago, Ill.—There has been talk of a stock dividend from time to time for the last couple of years. We are inclined to the opinion that any favorable action in that direction by this company will be deferred until after the war at all events. The Anglo American Co. is reaping large profits from its war business, which is enormous, but the British War Tax is cutting such profits down materially. We believe that in years to come this company will expand and that the stock will be worth a great deal more money than its present selling price, but we hardly look upon it favorably as a purchase now, as there are too many uncertainties in the future. The aftermath of the war may have a depressing effect on all British industrial enterprises, and it is impossible now to determine to what extent the business of this company might be effected. We cannot say, of course, at what price Anglo American will be a good buy at any time in the future, because we cannot foresee what factors may influence the stock.

Sapulpa Refining

W. S., New York City.—Sapulpa Refining is earning at the rate of about $2.50 per share. The company has recently increased its refining capacity and should be in a position to benefit from this; as long as the status of the oil situation remains strong Sapulpa should do well, and we regard this stock as having fairly attractive speculative possibilities at its present price.

Texas Co. "Rights"

R. T., Livingstone, N. J.—You are evidently under a misapprehension as to these rights. Each Texas Company stockholder will be entitled to subscribe at par to new stock to the extent of 25% of his holdings. Therefore, with each four shares of Texas stock there will be issued to stockholders of record on November 30, a warrant entitling them to subscribe to one additional share at par $100. Consequently, a man buying four rights and exercising the privilege to subscribe for one share of stock, pays therefor approximately $200. He does not, however, receive any dividends on the new stock for two quarterly dividend periods, whereas the holder of the old stock receives dividends amounting to 5%, or $5 a share. This extra $5 brings the cost of his purchase of one share of stock by buying four rights and subscribing for the additional share up to $205, which is approximately the price at which the stock is now selling for in the market, if the value of the right is deducted. We know of no brokerage house who would buy this new subscription stock for you on margin.

UNLISTED SECURITIES

Opportunities in Unlisted Securities

What They Are and Why They Are Unlisted—Overlooking the Obvious—A Supply and Demand Market

By THEODORE BIRD LYON

THERE is no question about money being made on the Stock Exchanges of the country by those who are thoroughly familiar with the methods and practices of stock speculation and are able to judge the effect on the market of news concerning changes in the business and political life of the country. Such men are also able to tell when a certain stock is above its real value and when it is below. But these men are in the minority and there are many without this necessary knowledge and ability who will still turn to the stocks listed on the exchanges as the only place where opportunity for investment is to be found.

They are overlooking the obvious. They have not stopped to think—to look around them—to consider the securities of corporations which are making handsome profits right under their noses. Many a man will see the crowds coming out of a well-known restaurant and say, "I'd like to have what they take in there in one day," and still never think of buying some of their stock. On his way to business he will pass right by a large manufacturing plant and say, "It seems to me they are coining money" and never ask what their stock sells for or what dividends it pays.

Obvious Opportunities

There are many other perfectly obvious opportunities for investment that are overlooked by investors, but snapped up by the few wise men, for the simple reason that one reads so much about the Stock Exchange that one thinks it is the only place for investment opportunity. The obvious opportunities around us are found in the securities generally classed as "Unlisted."

"Unlisted" is the term usually applied to securities which are not bought and sold on any of the large exchanges. Many people look askance with raised eyebrows when a security is qualified by the term unlisted for these people apparently work on the hypothesis that only listed issues are worthy of consideration. As judgment of this character is mainly derived from ignorance, it is both unjust and unfair. This situation does exist however, and the explanation, while not obvious, is more or less simple. In a word the solution of this problem might be laid at the door of publicity, which after all is closely allied to knowledge.

Listed securities unquestionably receive an unlimited amount of free publicity. Every day in practically every newspaper of any size, the sales of listed stocks and bonds are published and from time to time they are commented on editorially. Prominent position on the first page is often given listed securities when the market has been particularly spectacular. Constant perusal of the financial columns trains the mind to think along this one channel and reject anything at all foreign. Publicity has performed its chief function, it expounds and teaches, it educates and makes the subject in hand more and more familiar. It is a case where familiarity breeds contentment.

The desirability of listed issues to the utter exclusiveness of all others is instilled so strongly in the mind that after elaborating on all the favorable features of the stock or bond the dissertation is often concluded in whispered

and awed tones, "and it's listed too."

It is not the intention to imply that listed securities are not desirable but rather that unlisted issues are equally and, in some cases, more desirable and worthy of careful study.

Why They Are Not Listed

"Why are securities unlisted?" is generally the first question to arise when this subject is discussed. This interrogation is natural enough but the forthcoming answer must be general unless the specific case is stated. Three of the principal reasons are as follows: (1) A security may be physically unable to comply with the regulations imposed for listing, i. e., the company may be too small and not have the required number of outstanding shares; (2) A company may not desire to widen its distribution which is the usual result derived from listing. It is reported that this is at least one of the reasons why the Standard Oil stocks are not listed; (3) One of the rulings for listed securities on the New York Stock Exchange is to have the company make a full report of its business. In many cases this would necessitate divulging business and trade secrets which would be valuable to competitors and naturally is a very objectionable and important feature. For this third reason the Federal Sugar Company in 1913, requested that its stocks be stricken from the New York Stock Exchange. No doubt there are innumerable other companies which for similar grounds decline to have their securities listed.

Even though the prospective investor grants that unlisted stocks and bonds have possibilities and might be considered seriously as a last point in the argument to support their prejudice, that bugbear "marketability" is brought forward. But this also is a product of a false impression. The market of a listed issue is very often fictitious, not intrinsic, while the market for unlisted securities is real and not the result of professional manipulation. Take for instance, at any given moment if one were gifted with second sight, how many pools would be seen which had been formed to advance a stock ten, twenty or fifty points. The procedure is identical in nearly every case, first the stock is subjected to pressure for accumulation, then it is run up a few points, then pushed down for more accumulation and to get rid of the small holders. The tip is well circulated and on the way up the pool gradually feeds out their long stock, and if successful makes an enormous profit. After that what happens? The public having bought its stock at the high prices, sells it, and since it has no support the market declines to its former levels. Why did Baldwin sell at 150, then back to 80; Crucible at 110 declining to 70; Midvale at 96, then to 55? Because these stocks were worth these high prices? It was due to pure and simple manipulation.

Supply and Demand

Theoretically the market for every security should depend solely on legitimate demand and supply. This condition exists far more often in the unlisted securities market. Stocks of companies like Singer Manufacturing, Otis Elevator, Childs Restaurant, Royal Baking Powder, never have any wild fluctuations. E. W. Bliss, for example, in a very short time, advanced a hundred points or so, but this rise was truthful, not fictitious. Of course, war orders were the given excuse of many listed grandstand plays, but in times of peace numerous other excuses are found.

This may be a trifle aside from the point of marketability, but at the same time has a direct bearing on the value of the market. Strictly speaking, a marketable security is one which can be sold readily, and because the market for unlisted securities is not published daily, the conclusion is immediately assumed that there is no market. The majority of high-grade unlisted issues have just as active a market, are bought and sold just as easily and readily as listed issues, and in some instances are more marketable than many listed ones. Usually, on exchanges, two or three banking houses

specialize in certain issues, the main difference with unlistel stocks being that there is no central place where these specialists meet—their business being conducted over the telephone.

A view of these facts places the mind in a receptive attitude, but opportunities seldom enter and eat out of your hand, for they are only supposed to knock at the door outside. There are several reputable houses specializing in unlisted securities, and a few make it their business always to be on the lookout for unusual conditions existing in various companies. The wide experience of these brokers endows them with keen perception and exceptional judgment. When they, after careful examination, state in their opinion the stock of this or that company should advance, as these conditions are justified by increasing earnings, etc., they are usually right.

An Actual Experience

The actual experience of a well-known unlisted house is interesting. About two years ago this house pointed out the possibilities of a certain company whose stock was then selling around 20. It recently sold at 200. This company did absolutely no war business. The stock of another company which was indirectly benefited by the war, was suggested at about 40. It is now selling at 125. A third company suffered considerably at the beginning of the war, and it did not and does not participate in the war profits. The stock of this company was recommended at 30 for a good purchase. It is now selling at about 60 and should in a few months increase in price materially.

It must be realized that houses recommending stocks of this sort are virtually risking their reputations, as well as the confidence of their clients. So naturally a large amount of caution and careful consideration is expended before such a recommendation is made. The opportunities were legitimate and were based on facts, not on wild speculation which usually reigns supreme in the majority of listed issues.

Because of the absence of great publicity, unlisted securities oftentimes offer exceptional opportunities which are exceedingly attractive and desirable. The shrewd and cautious investor is beginning more and more to realize that the unwelcomed shroud of mystery is being gradually lifted to disclose stocks and bonds of merit and stability.

If the familiar horizon be extended, the extra effort will be well rewarded. Mental exertion to overcome a foolish prejudice is all that is required.

The Plain Truth

Cotton! When cotton was seven cents a pound and the cotton growers were impoverished, they cried to the Government for help to put the price to a reasonable figure, but when cotton goes to twenty cents a pound, we hear no outcry from the housewives against the increased cost of cotton goods. The cotton grower is entitled to a fair return for his labor. We rejoice when he gets not only a fair return but a generous income, but let him withdraw from those who listen to the demagogues that seek public office on the claim that they can decrease the cost of living. When cotton rises to twenty cents, the price of cotton fabrics must rise. They go up together. High prices mean high wages, good living and more comfort and satisfaction than are found in a panicky era of bankruptcy and low prices. Let the thinking people bear this fundamental fact in mind.—*Leslie's.*

Unlisted Securities Notes

American Brass Co.—Regular quarterly dividend of 1½% has been declared payable Nov. 15 to holders of Oct. 31, with an extra dividend of 3½% payable on the same date. In addition, an extra dividend of 5% payable Dec. 20 to stock of record Nov. 30 has been declared.

American Brake Shoe & Foundry.—Annual report of Oct. 1, 1916, shows net earnings of $1,661,619; surplus after charges $1,627,306, dividends $722,000 and surplus $905,306.

Carbon Steel.—Capitalized at $5,000,000, earned $3,099,511 in fiscal year ending Sept. 30. Part of the profit was from war orders. Pres. McKnight's report says: "A conservative estimate of the value of contracts and orders on hand for the company's regular line of products shows an increase of more than $1,500,000 over a similar estimate made at beginning of the year.

"In March last, your directors leased the mill of Moorhead Bros. & Co. in Sharpsburg, and at that time entered into a contract to furnish the Italian government with 30,000 tons of finished bars. Material for these bars was purchased in outside market and the contract will be completed within 30 days. Special contracts for shell forgings and finished shells were satisfactorily completed within specified time. Your company furnished only the steel used in these shells and manufacturing the forgings and shells was sublet to outside contractors and all of these sub-contracts have been fully completed and satisfied."

Eastern Steel Co.—Extra dividend of 28%, which clears up the remainder of the accrued dividends, has been declared on the first preferred stock in addition to the regular quarterly dividend of 1¾% on the issue, both payable Dec. 15 to holders of record Dec. 1.

Galena Signal Oil.—This company's expansion program calls for the construction of a new plant at Franklin, Penn., where the company has purchased an additional 35 acres of ground. This new refinery will manufacture automobile and other high class oils. Heretofore the company has supplied the railroads and street railways with lubricants, but has not specialized in automobile oils, and its entrance into this field is expected to result in a substantial increase in business.

The principal purpose of the company's entrance into Texas is to supply its French subsidiary with suitable oils. About 20 years ago the Galena company secured contracts with some of the French railways, being the first company to introduce American oils on these railways. The business of the French subsidiary with a plant at Rouen, France, has shown a wonderful increase and recently the State Railways of France extended its contract for ten years after already having used Galena oils for 20 years. The Midi Railway of France, which used Galena oils for 15 years, has also extended its contract for 10 years. Another large foreign road has closed a contract for six years and many others are extending contracts. As a result of these demands, the Pennsylvania and West Virginia oil supply has been found inadequate and a special oil in Texas is to be used for this purpose.

This company now supplies about 98% of the railway lubricating oil requirements of the United States and Canada. It is said that contracts for $50,000,000 worth are now on the company's books and the sales this year have increased about 130,000 barrels.

Standard Oil of N. J.—The stock of this company made a pronounced advance on Nov. 13, touching 682, a new high record.

Midvale Steel & Ordnance Co.—Contracts for 16-inch guns were awarded to this company Nov. 1. 13 guns at $116,900 each. Contracts for steel forgings were also awarded to Midvale, 12 sets at 35 cents a pound, each set weighing 225,865 pounds. The forgings were made at the Washington navy yard.

Midvale may be listed on the New York Stock Exchange next Spring. This company is said to be second to U. S. Steel in variety of manufacture. A Boston authority says that the unfortunate rifle contract could be written off the books and the company would still be able to show earnings that would warrant a start in dividends before the middle of 1917.

United Drug Co.—Consolidated income account of the United Drug Co. for five months ended June 30, 1916: Sales, $14,794,181; costs of merchandise sold, $9,755,162; net profit on merchandise, $1,016,482; total profit, $1,102,019. Net profit for five months is $991,745.

Regular quarterly dividend of 1½% on the second preferred stock has been declared payable Dec. 1, to stock of record Nov. 15.

United Motors.—Has taken over the Harrison Radiator Co. of Lockport, N. Y. The company will be provided with new capital and reorganized into the Harrison Radiator Corporation. Present output is 300 radiators a day but this will be increased to capacity of 2,000 radiators. It controls fundamental patents on radiators and their manufacture.

United Motors has also taken over the Houck Manufacturing Co. of Buffalo, maker of Houck wire wheels. A new company will be formed to be called the Houck Wire Wheel Corporation. The Houck Co. will continue as an individual organization.

TOPICS FOR TRADERS

When Will the Bull Market End?

Factors That Largely Determine the Making of a Bull Movement and How They Influence Its Duration—The Time Factor Important

By THOS. L. SEXSMITH

EVERY bull movement has its leader. Public attention must be attracted in order that a following can be gathered. The response accorded to the initial advances made by a stock selected as a leader enters largely into the determination of the extent, as well as the diversity, of the further movements attempted. Stocks will not be put up very far unless the public shows an inclination to come into the market.

There are two sides to every market. Commonly, the market is known as a two-sided one when the movements up and down about equal one another. But all markets are two-sided in another important sense. In the making of the market there are two distinct interests concerned. In a bull market we have the public interest centered entirely on the purchasing side; the insiders, on the selling side. Obviously, when the public is in the mood to buy, and has the money, someone must fulfill the function of seller. The two interests oppose each other in direction of effort, agreeing only in intent. To profit by their operations is the desire of both.

Foundation for Bull Move

When conditions appear to favor the launching of a bull campaign in stocks, generally speaking, the major portion of the floating supply of securities rests in the hands of strong interests. Banking Institutions, Life Insurance Companies, Investing Corporations, heavy individual investors, and a number of individuals organized into what is known as "pools," through their combined holdings, dominate the security situation at the beginning of bull movement. Such movements start only from a condition which in itself is a guarantee against the making of lower prices.

Strong foundation is necessary for any substantial structure. A broad, sustained movement could not come out of a weak technical position. A strong position in the stock market is one in which stocks are in the hands of strong people. It is in such times that bad news, if it comes, fails to bring declines of importance. Stocks then show what is technically known as "good resistance." Given the proper foundation, then, it is only necessary to begin the familiar marking up process to attract a public following.

The Bull Market of 1915

The bull market of 1915 started early in that year. Strong interests held stocks, having purchased them throughout 1913, particularly around the middle of June of that year, again in 1914, and in large quantities throughout the excessive decline which occurred during the three or four days preceding the closing of the Stock Exchange. These purchases were augmented throughout the early part of the year 1915, and in the spring of that year conditions began to shape themselves favorably to the beginning of a bull swing. Only a leader was required to stimulate public interest and an excellent one was found in "Bethlehem Steel," a stock whose earnings early began to reflect the large profits which were to come out of the business of manufacturing munitions of war.

The bull movement of 1915 may be said to have begun in earnest about the middle of May and continued, with very slight interruptions, until the twenty-second of October, a period of approximately six months. Then came six months of digestion and reaction which required another six months. When the reaction had run to its greatest depth, on April 22, 1916, an exceptionally strong

and sharp rally came which furnished ample evidence that the period of digestion had been completed and that assimilation was under way. Each recurring reaction had acted to transfer to stronger hands the stocks taken by the public toward the end of the advance. This continued until the point was reached where no further reaction followed and the transferring process came to an end. The technical position was again one of strength. Only time was needed for a new public appetite to develop and a new leader found to stimulate renewed activity. This time the leader selected was United States Steel, common, the greatest leader of them all, because so widely held and so popular with the masses.

The Present Movement Begun

Early in August, the present bull move began under the new leadership, and the response which was accorded the initial advances in United States Steel gave the needed assurance to those who were working for higher prices that the public was again willing to buy stocks. Up to the present writing, the movement then begun has continued three full months and is swinging into the fourth. By all recent precedent, the movement has already consumed a large percentage of its allotted time and is now in its final phase. Up to the present, thousands of shares of stocks have passed from one character of ownership to another. The technical position has changed from one of strength to one of precarious weakness. The intent of the two conflicting interests has been realized. Strong interests, who months ago were the owners of stocks, have largely disposed of their holdings, and the public, generally, has exchanged its money, which was the incentive for making the movement, for stocks, having been a large buyer in a rapidly ascending market.

It is worthy of note that the relative position of the two interests, which are always in the market, never changes. The strong remain always the strong, and the weak the weak. Insiders, as they are commonly called, are strong at the beginning of a bull movement in the possession of securities, at its end, strong in the possession of money. Stocks continually seek repose where money is. They were made for the purpose of selling. Whether the public or the insider has the stocks matters little. They will go, in time, where the money lies. In the present situation insiders, or the strong interests, will, in due time, regain a large proportion of the stocks which they have so recently sold to the public.

Signs of the End at Hand

The end of the present bull move, which cannot be far distant, will signal the beginning of the return of stocks to the original owners. Signs of the beginning of that end may already be noted. A long succession of days with huge turn-over of stocks; great and unusual activity in issues which are seldom quoted in ordinary markets (the coming to life again of neglected "cats and dogs"); days of nervous and widely fluctuating price changes; dividend increases and rumors of extra distributions—in fact, all the phenomena which characterize a period of unloading to the public are to be seen. Many issues have had phenomenal rises, and on every hand may be heard ready predictions of large additional advances to come in the near future. Optimism is unbridled. In spite of all this the time is near at hand when it will be observed that although activity continues unabated and price fluctuations and daily turnover continue to be unusual, yet, if the average market is carefully measured it will be seen that it does not advance much, if any, from day to day. (This is written November 10.) The market is giving the outward appearances of an advancing one, but, in truth, it does not advance.

It is a time, then, for conservatism; a time to substitute calm judgment for impulse; a time to look before further leaping. Prices may still go up considerably from present levels, but the thing to keep steadfast in mind is the fact that once a movement has used up at least three-fourths of its normal time of duration, the possibilities for further advance are decreasing daily as the movement continues. There is far greater room now for reaction than for advance.

Why Women Should Not Speculate

Reasons Which Mitigate Against Women Becoming Successful Market Operators—Lack of Opportunity to Learn—Lack of Experience

BY ROBERT L. SMITLEY

WITH minor variations, the history of every bull market in Wall Street is the same. One of the significant features of the culmination, or near culmination, of a bull market, is the entrance of women speculators into the active trading. During the last few weeks the advisory department of THE MAGAZINE OF WALL STREET has been deluged with questions from women relating to the stock market, in its speculative sense. The questions, as a rule, are so elementary and so significant of the questioners' ignorance that it is the purpose of this article to show that woman has no place in the speculative stock market. Investment and the purchasing of good stocks and bonds for probable gain, are part of the duties of many women, and this article has no bearing on this feature other than to encourage the education of women along such lines. The writer does not desire to offend the sensibilities of any woman with what follows, and furthermore it must be borne in mind that the feminine sex are generalized, not particularized. There may be women of vast financial learning and experience qualified to speculate, but there are not many women in that class.

The writer desires to present only a few of the reasons why no woman should ever enter the speculative field. Not all women are applicable to all the reasons hereafter mentioned. If, however, every woman who gets the speculation fever, will but self-examine herself, she is certain to find among the few deterrents mentioned, sufficient to warn her against making the first, and probably, disastrous step. Also, it must be made plain that because a woman has proved herself a good business woman, it is no proof that she is a good speculator. This applies to men as well.

In the first place, for centuries back, women have been dependent for their support and any money they have possessed came from men. The *hausfrau* has been taught to conserve her husband's resources, and this teaching has been handed down through the centuries to their female descendants. As a result women are, as a rule, very conservative when money is concerned, and having possessed very little, personally, are inclined to be careful with it. It is only when women read the stories of the wonderful fortunes made in the "Street" that the inclination to speculate seizes them. The big speculators are just closing their bull campaigns at this period, and the papers are full of million dollar days and million dollar profits. It appeals to the imagination of woman at last —she has been afraid to come in in the early days because she was cautious.

The Abstract Qualities

Speculation is merciless. One meets with no sympathy, because the whole affair is the very antithesis of sympathy. The speculator must be ruled by his own judgment, gleaned from all sources and winnowed into the finest grain. In spite of suffrage, business education and man-contact, womankind yet dominates the abstract elements of LOVE, HATE, FRIENDSHIP. Intuition will not take the place of facts and knowledge. If the average woman respects a man of affairs who happens to say, "Central Leather will go to 150," no force of reasonable argument will prevent this woman speculator from buying Central Leather. And that is the sole reason for her buying.

We have many successful business women in this country to-day, but all

who are successful have kept away from speculation in the stock, cotton or other commodity markets. That is why they are successful. There is no other business like speculation. The only women brokers who have made money are those who had silent interests in firms, where the actual conduct of the business was left to the men.

Physical Tax

The speculator must separate his business from his mental condition. This requires years of experience and a temperament very unlike the gambler. The writer has known a number of cases where both adverses and large gains were responsible for ill-health and wrecked nerves. In the 1905 and 1906 bull markets, one daring young woman built up an account from $500 to a paper profit of $75,000 on Amalgamated Copper. She was importuned to sell out and take her profits, but her fiancé had told her to pyramid until she had $100,000. The crash came, and it cost her brokers $2,500 before they could sell her out. The young lady never married, her nerves were gone, and she died in a sanatarium about two years ago. Playing the stock market is a serious health-breaker, for the wife, the daughter, or the business woman.

The average speculator, being a man, always has a chance to regain his losses. The chances for a woman to regain her losses are very small, unless she is with real business knowledge and can find a position or recoup in her legitimate business. For a woman, who has been left a few thousand dollars to speculate in the markets, is suicidal. To begin with, every chance is against her and when she loses all, where is she to get more? The broker cannot take the speculative account of a clerk or employee of another brokerage firm, or bank, without permission from the employer. This is to protect the employer. There should be a law to prevent women from opening speculative accounts. They have no redress from the wolves of the street, and their ignorance in attempting to pit their feminine strength against the most intricate business in the world, means certain financial destruction.

Not Close to the Machinery

A speculator must keep up with all the news of the day, must take advantage of technical features beyond the knowledge of any one, unless such one has spent years in financial education. Even if given the tools of Wall Street, the woman cannot use them. As well give a poet a set of carpenter tools and ask him to build a house.

Sometimes the best way to convince womankind that she has no place in the speculative world is to look over the gainers in time gone by. Only one has lived and died with a large profit and she had unlimited means, and can hardly be classed as a speculator. Hetty Green would never advise any woman to enter into this highly specialized field.

The more progressive of the investment firms have started separate departments for women. These departments are usually in charge of a competent woman of experience, who leads in the right direction, which is as far away from the speculative side as possible. There are plenty of opportunities for women with means, and women with meagre means, to invest their money in such a way as to safeguard it from the disaster of speculation, and the woman who insists in taking "fliers" in the market must invariably lose in the long run. For any woman to make money the first time in speculation there is a sorry ending.

It would be useless to give concrete examples of the disaster of female speculation, because they are so common that they are not interesting. It is only the uncommon which attracts interest. Inasmuch as the writer has been asked to present this article for the consideration of all women and for their protection, it would be wise for the husbands to read this view to their wives, and have wives call the attention of other women to the impossibility of beating the Wall Street "Game" with inadequate knowledge and insufficient tools.

Technical and Miscellaneous Inquiries

Value of a Stock

Q.—Will you kindly explain to me, through your valuable magazine, of which I am a subscriber, or by letter, just how the value of any stock is determined?

As an example I am at a loss to know, after seeing the Texas Company statement in your last issue, the method by which this company's stock was selling at that time (June) at around $185.—M. G. O., Tulsa, Oklahoma.

Ans.—There is a distinction between market value, the price at which a stock sells and "book value," that is, the net tangible assets back of the stock as shown on a company's balance sheet. The latter was the value referred to in the article on Texas Co. It is arrived at by deducting from the total assets of the company as shown, the bonded indebtedness, current liabilities (such, for instance, as accounts payable, and other claims prior to stockholders' or bondholders' claims in the event of liquidation of the company), and in the case of the Texas Co., money received on new stock subscriptions (this item not being yet offset by the issue of stock). The result obtained represents the net equities in the company belonging to the stockholders, and divided by the number of shares gives the book value of each share. This book value is, of course, more or less theoretical and, although it has an important bearing on the market or selling value of the stock, it is by no means the only factor in that value. The market price reflects the combined opinion of sellers as opposed to the opinion of buyers, and the opinion in each case may be influenced by necessities or conditions entirely apart from the merits of the stock. The book value of a security may not change in days or weeks, yet there would be people willing to pay less for the stock or more from one day to another.

Selling "Short"

Q.—Because of instructions given in your trend letter of Oct. 25, I wrote my broker, Baruch Bros., Oct. 27, to sell short 10 shares of Crucible Steel. I sent two personal checks of local banks to the amount of $106, on Oct. 30; I received notice that they had sold short 10 shares on Oct. 28, @ 88⅛, the opening at 88¼. I then told them to cover at 84 and stop loss at 96 and remit. On Nov. 2 Crucible went to 96½ and reacted, then received notice that they had bought at 96. I received two notices, one dated Nov. 4, and one dated Nov. 10, saying that the checks had been deposited for collection. Have the brokers a right to fill an order of any kind before they get word that the checks I sent had been collected? Should it take so long as that for collection?—M. H. L., Waterbury, Conn.

Ans.—Your broker has a perfect right to execute orders before the check sent has been collected, if he wishes to take that risk. Many brokerage houses stipulate that money should be sent drawn on a New York bank, if the customer wishes to have the order executed immediately.

Commodities

Q. Will you give me your opinion on purchase of wheat, cotton oil, cotton, and what advance of one cent means in each?—W. E. C., Lancaster, S. C.

Ans.—We consider the commodities markets very dangerous to trade in at all under present conditions, and we hesitate to express an opinion as to which way prices will go. The unit of trading in wheat is 5,000 bushels, although 1,000 bushel contracts are made. The price is quoted in cents per bushel, so that an advance of one cent would mean $100 on 1,000 bushels. The unit in cotton is 100 bales, of 500 pounds each. The price is quoted in cents per pound, so that an advance of one cent means $500 a contract. The unit of trading in cotton oil is 100 barrels and the price is quoted in cents per pound, there being 400 pounds to a barrel, and 40,000 pounds to a contract.

Prices of Stocks

Q.—In your issue of Nov. 11, you omit to give the market price—in brackets—of the various stocks referred to under "Inquiries."

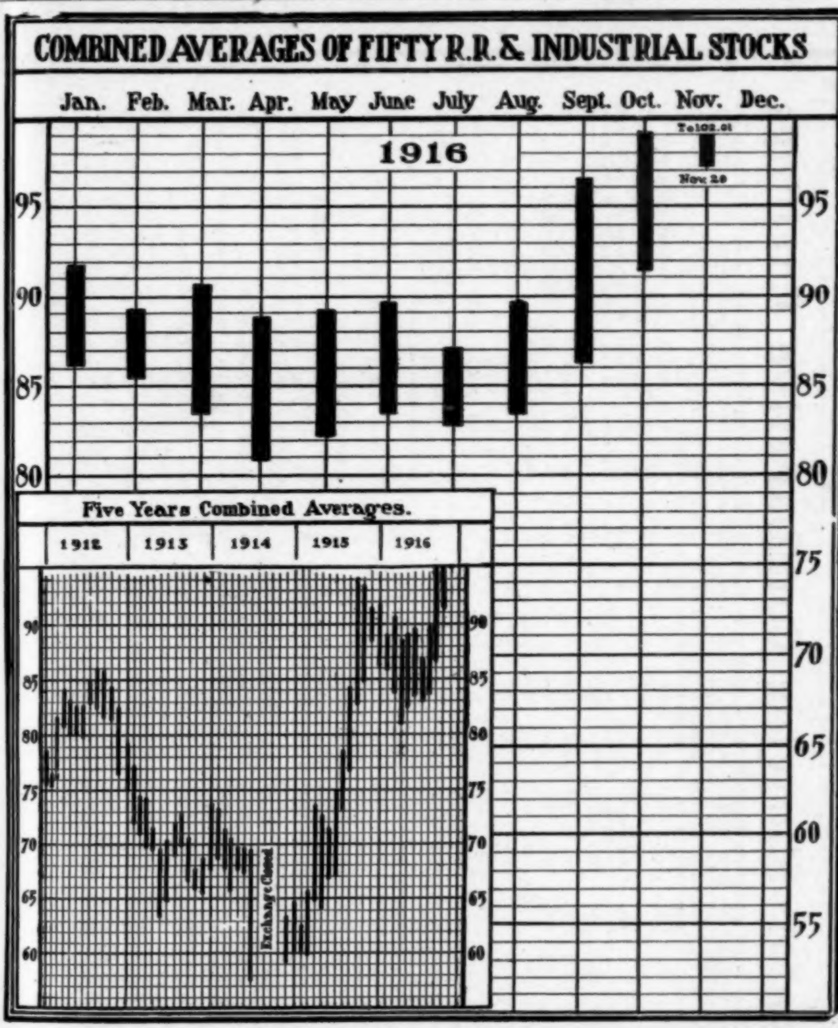
Whatever your reason for dropping this recent improvement of your paper?—R. M., Brooklyn, N. Y.

Ans.—We no longer quote the prices of stocks in the Inquiry Department of the Magazine, because of the fact that answers to letters are often written two or three weeks ahead of publication, and if the trend of the market in the meantime changes sharply, the prices become of little value and are likely to be misleading, not to mention the fact that they are untimely. We have therefore found it best to omit them entirely.

"Ex-Dividend"

Q.—On Sept. 28, I purchased 25 shares of Prairie Pine Line, expecting the dividend of 10 shares, and when it did not come I commenced to make inquiries, and they politely told me that it was selling ex-dividends a week before the books closed. If I am not entitled to it, shouldn't I have been notified that it was bought for my account ex-dividend, and on the other hand does it not belong to me?—W. H. C., Chicago, Ill.

Ans.—We are of the opinion that your brokers have treated you fairly on your Prairie Pipe transactions. The books closed on September 30 for the dividend you mention, but it is necessary for New York brokers to allow about six days to send this stock out to Independence, where it is transferred. Consequently the stock sells ex-dividend in New York from six days to a week prior to the time the books close.



MARKET STATISTICS

		Dow Jones Avgs. 20 Inds.	20 Rails	50 Stocks High	Low	Total Sales	Breadth (No. Issues)
Monday	Nov. 6.......	107.21	110.96	100.47	99.39	1,422,200	254
Tuesday	" 7.......		STOCK EXCHANGE CLOSED (Election Day)				
Wednesday	" 8.......	106.83	110.34	101.46	99.27	2,085,400	224
Thursday	" 9.......	107.68	110.00	100.67	99.27	1,494,100	230
Friday	" 10.......	107.65	109.61	100.78	99.19	2,110,100	247
Saturday	" 11.......	106.72	109.11	99.81	98.48	969,700	223
Monday	" 13.......	105.63	108.17	99.09	97.65	1,489,600	243
Tuesday	" 14.......	107.04	107.76	98.36	96.69	1,606,300	254
Wednesday	" 15.......	107.72	107.23	98.52	97.24	1,307,600	251
Thursday	" 16.......	108.48	108.15	99.65	97.87	2,051,200	252
Friday	" 17.......	109.62	108.25	100.68	98.82	2,072,600	244
Saturday	" 18.......	110.13	108.26	102.01	99.77	1,150,100	210

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Industrials	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1909	1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Butte & Superior (par $10)	$5	4.8%	....	....	....	....	3.5	5.2	33.5	....	$70	47.8%	Extra dividends.
Inter. Mer. Marine pfd.	0	0	....	9.4	8.7	7.3	11.1	....	50.0	....	120	41.0	Reorganization plan. Back dividends 82%.
Amer. Locomotive com	5	6.3	—3.1	1.3	7.3	0.5	17.7	1.3	—13.0	36.1	93	38.9	Plants at capacity.
Maxwell Motor com....	10	11.2	....	....	....	....	....	0.3	6.5	30.1	78	38.5	Record earnings.
Barrett Co.	7	4.4	....	....	....	10.5	10.8	10.3	49.0	....	160	30.6	Extra dividends.
Studebaker com.	10	7.4	....	....	....	4.9	3.1	12.7	27.45	37.4¶	127	27.8	Earnings running ahead. Extra div.
Am. Smelt. & Ref. com.	6	3.6	7.7	7.1	9.1	10.1	7.5	6.0	14.0	32.0†	117	26.5	Doing a big business. Extra dividend.
Chino Copper (par $5).	5	8.9	....	....	....	2.5	3.5	3.4	7.6	15.0†	57	26,0	Record earnings. Extra dividends.
Continental Can com...	5	4.9	....	....	....	....	12.1	4.7	12.1	25.0†	101	24.7	Earnings running ahead.
Distillers' Securities ...	6	13.0	2.2	2.3	3.1	1.5	1.2	2.3	4.6	10.6	43	24.6	Large contracts for alcohol taken.
B. F. Goodrich com....	4	5.4	....	....	....	2.4	0.8	4.1	17.17	....	70	24.5	Earnings first 6 months increased 20%.
Amer. Agri. Chem com.	5	6.3	7.5	10.4	9.1	7.3	5.2	7.7	11.0	20.5	86	23.8	
U. S. Ind. Alcohol com.	0	0	....	2.0	4.0	5.0	1.9	1.9	33.22	....	140	23.7	War contracts.
Ray Cons. Cop. (par $10)	2	8.0	....	....	0.2	1.3	1.8	1.6	2.9	8.0†	34	23.5	Record earnings. Extra dividends.
Tenn. Copper (par $25).	0	0	1.7	2.3	2.0	5.5	4.9	3.3	5.3	....	23	23.0	Fire interfered with war contract. Suits pending.
U. S. Rubber com......	0	0	4.0	7.8	2.2	6.3	9.8	8.0	10.0	14.0†	60	23.0	Conserving working capital.
Va.-Carolina Chem. com.	0	0	7.1	10.4	3.1	3.3	0.5	3.4	7.6	10.3	45	22.8	Prospects for good fertilizer business in 1916.
Allis-Chalmers pfd	6	7.4	....	....	....	....	4.6	—0.2	6.8	20.0‡	90	22.0	11½% back dividends due.
Willys-Ov'd com (par $25)	3	6.5	....	....	....	....	6.7	6.5	11.4	....	40	20.8	Outlook for 1916 bright. Extra divs.
Amer. Woolen com.....	5	9.6	5.2	2.2	2.1	2.1	—19.9	0	10.8	....	52	20.7	Business good.
Utah Copper (par $10).	6	6.3	2.9	3.4	3.9	5.3	5.0	5.3	11.0	25.0†	120	20.0	Big production. Extra dividends.
Amer. Beet Sugar com.	6	6.1	7.0	7.3	10.9	13.5	3.9	2.3	8.7	19.2	102	18.8	Earnings big.
General Motors com....	20	2.5	....	....	15.7	17.3	38.8	37.5	81.2	148.0	810	18.2	Business good .
Acme Tea com.........	0	0	....	....	....	....	8.5	9.0	6.0	12.0	66	18.1	Increasing number of stores.
Am. Hide & Leather pfd	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	7.4	12.6	71	17.7	5% div. declared.
Bethlehem Steel com...	30	5.4	—1.6	6.5	6.7	6.9	27.4	30.6	112.5	....	654	17.2	Turning out shells rapidly and economically.
National Lead com.....	4	5.8	6.2	4.3	3.6	3.8	3.6	3.7	5.0	11.8¶	69	17.1	
Am. Sugar Refining com	7	6.0	3.9	3.8	9.6	8.7	1.9	4.3	5.5	20.0¶	118	16.8	Prices of sugar at high levels.
Central Leather com...	4	4.9	6.3	—2.1	—5.1	8.6	5.2	6.4	10.8	17.0¶	108	16.0	Current earnings good. Extra div.
Sloss Sheffield com....	0	0	6.6	2.0	—0.6	0.8	2.1	0.2	1.7	12.0¶	81	14.6	Freight car shortage limits contracts.
General Chemical com...	6	1.8	14.4	15.6	15.5	14.4	13.4	13.3	44.26	47.0¶	335	14.0	War helped business. Extra dividend. Record earnings for 9 mos.
California Petroleum pfd	4	8.0	....	....	....	....	11.4	11.6	6.1	7.0§	50	14.0	

California Petroleum pfd	4	8.0	....	....	....	....	11.4	11.6	6.1	7.0§	50	14.0	earnings for 9 mos.
West'h'se El. com (par $50)	3	4.6	....	3.8	6.2	3.1	4.1	5.4	2.4	8.9	64	13.8	War orders.
Inter. Harv. of N. J. com	5	4.3	17.8	14.8	14.2	15.2	14.5	13.4	16.1	....	117	13.7	Business increasing. Gov't suit.
Am. Cotton Oil com...	4	7.1	10.4	6.8	—1.2	6.5	3.4	2.0	7.05	....	53	13.3	Controls 17 sub-companies. High material cost.
Western Union	5	4.8	5.8	5.7	5.4	4.0	3.2	5.4	10.24	13.5¶	102	13.2	Earnings big. Extra dividends.
Corn Products pfd.....	5	5.4	8.2	6.9	7.0	6.8	7.6	7.7	10.62	12.0¶	96	12.4	Divs. in arrears 18%. Business good. Gov't suit lost.
U. S. Realty & Imp't...	0	0	9.2	9.7	9.4	8.3	9.2	8.2	5.0	3.7	31	11.9	Business picking up.
Amer. Linseed pfd.....	0	0	5.8	4.5	2.6	—2.8	3.0	1.8	6.02	....	56	10.7	Earnings reported very satisfactory.
Miami Copper (par $5).	6	1.5	....	....	0.7	2.8	1.7	1.6	4.5	4.68	44	10.6	
General Electric	8	4.3	7.4	16.7	14.5	16.2	12.9	11.1	11.6	30.0¶	180	10.6	Working at capacity. War orders farmed out.
American Can pfd......	7	6.2	6.7	6.8	7.1	14.2	9.7	10.7	12.2	....	115	10.6	Arrears 8¾%. Big war orders.
Crucible Steel pfd......	7	5.7	8.2	14.5	10.2	13.7	19.6	4.1	12.3	....	122	10.2	Back dividends 20%.
Nat. Enam. & Stamp. com	6	0	1.1	1.0	1.1	—1.6	1.9	—0.3	3.01	....	33	9.9	Business excellent.
Woolworth, F. W., com.	8	8	....	....	....	8.9	11.0	10.7	13.4	....	140	9.5	Expects to show record year.
Mexican Petroleum com.	0	0	....	....	4.6	5.9	11.2	4.7	10.5	....	110	9.5	
Amer. Tobacco com.....	20	8.8	....	....	....	30.4	28.1	21.0	21.0	....	220	9.3	Earnings show big gains.
N. Y. Air Brake......	10	6.3	....	4.5	0.5	5.7	6.5	6.4	15.43	....	174	8.8	Big war orders.
North American	5	7.0	6.0	6.2	6.2	7.2	6.7	6.4	6.1	....	71	8.6	Controls St. Ry. & Elec. Light Cos. in No'west.
Baldwin Locomotive com	0	0	....	....	1.4	11.5	13.1	....	7.14	....	85	8.4	War orders.
U. S. Steel com......	5	4.2	10.5	12.3	5.9	5.7	11.1	—0.3	9.94	....	122	8.1	Steel business booming. Extra dividend.
Diamond Match Co.....	7	5.9	11.0	11.6	12.6	13.2	11.0	9.1	9.4	....	122	7.7	Extra dividends.
People's Gas Lt. & Coke.	6	5.5	8.9	9.0	8.9	7.5	8.2	8.6	8.38	....	110	7.6	Price of gas in dispute.
Amer. Tel. & Tel......	8	6.0	9.0	10.4	10.0	9.3	9.6	9.4	9.4	9.75¶	135	7.3	Large equities in sub. co. earnings.
Anaconda (par $50)....	8	8.6	3.6	3.5	3.8	7.2	5.6	3.9	7.2	22.0¶	100	7.2	
Sears, Roebuck com....	7	3.2	18.4	20.5	17.0	19.3	21.2	14.5	17.6	....	230	7.0	9 months sales 25% over 1915.
Int. Nickel com (par $25)	6	11.5	....	....	6.9	6.6	2.9	2.8	3.3	3.84†	50	6.6	Earned $3.48 per com. share first 6 months 1916.
U. S. Cast Iron Pipe pfd	2	3.5	1.2	4.4	3.9	4.2	4.7	0.6	4.3*	....	66	6.5	Business picking up.
National Biscuit com...	7	5.4	7.4	7.7	9.8	10.0	9.6	11.7	9.5	8.2	125	6.5	Improved earnings despite increased cost of materials.
Cons. Gas (N. Y.).....	7	6.8	6.7	7.4	7.6	7.5	7.2	7.1	8.5	....	135	6.3	Sub. cos. have large undistributed surp. Ex. div.
Pullman	8	4.7	10.9	11.6	9.3	8.7	9.3	9.0	8.8	10.3	167	6.1	Earnings good.
Greene-Cananea Copper.	8	15.4	....	....	....	4.3	2.3	1.9	3.0	....	52	5.8	
Railway Steel-Spring com	0	0	5.3	6.0	0.3	5.8	1.3	—4.2	3.09	....	53	5.8	1916 outlook bright.
Pittsburgh Coal pfd....	5	4.8	3.0	7.2	5.1	7.5	10.1	5.1	6.1	....	115	5.2	New company formed.
Inter. Paper pfd........	4	3.9	2.7	4.5	5.3	5.4	4.4	5.1	5.0	....	102	4.9	31% cum. div. in arrears. Earnings improving.
Pressed Steel Car com..	6	5.6	7.7	5.5	0.1	0.8	10.5	0.1	3.59	....	79	4.5	War orders.
Am. Car & Fdy. com...	2	2.9	2.6	6.6	7.1	2.5	4.1	5.5	0.1	2.8	68	4.1	War orders.
Am. Malt Corp. pfd....	2	4.1	6.2	3.0	8.8	9.3	4.6	3.7	0.1	....	49	0.2	Divs. in arrears 30½%. Business increasing.
Intl. Agricul. pfd.......	0	0	....	....	....	....	....	2.3	—1.2	10.0	58	0	Big claim against Tenn. Cop.
Union Bag & Paper pfd.	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	—0.7	90	0	Capital readjustment. Earnings good.
Colo. Fuel & Iron com.	0	0	2.1	4.0	3.2	4.8	4.6	—3.1	—1.4	2.9	55	0	Wages increased in 1916.
Am. Steel Foundries....	0	0	0.1	6.1	—1.5	4.6	6.1	—1.4	—1.8	....	66	0	Earnings picking up.

*Fiscal year changed from June 30 to Dec. 31. Marked earnings are based on †6 mos., ‡7 mos., §8 mos., ¶9 mos.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.

Industrials	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1909	1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	
Butte & Superior (par $10)	$5	4.8%	....	....	....	....	3.5	5.2	33.5	....	$70	47.8%	Extra dividends.
Inter. Mer. Marine pfd.	0	0	....	9.4	8.7	7.3	11.1	....	50.0	....	120	41.0	Reorganization plan. Back dividends 82%.
Amer. Locomotive com	5	6.3	—3.1	1.3	7.3	0.5	17.7	1.3	—13.0	36.1	93	38.9	Plants at capacity.
Maxwell Motor com....	10	11.2	....	....	....	....	....	0.3	6.5	30.1	78	38.5	Record earnings.
Barrett Co.	7	4.4	....	....	....	10.5	10.8	10.3	49.0	....	160	30.6	Extra dividends.
Studebaker com.	10	7.4	....	....	....	4.9	3.1	12.7	27.45	37.4¶	127	27.8	Earnings running ahead. Extra div.
Am. Smelt. & Ref. com.	6	3.6	7.7	7.1	9.1	10.1	7.5	6.0	14.0	32.0†	117	26.5	Doing a big business. Extra dividend.
Chino Copper (par $5).	5	8.9	....	....	....	2.5	3.5	3.4	7.6	15.0†	57	26,0	Record earnings. Extra dividends.
Continental Can com...	5	4.9	....	....	....	....	12.1	4.7	12.1	25.0†	101	24.7	Earnings running ahead.
Distillers' Securities ...	6	13.0	2.2	2.3	3.1	1.5	1.2	2.3	4.6	10.6	43	24.6	Large contracts for alcohol taken.
B. F. Goodrich com....	4	5.4	....	....	....	2.4	0.8	4.1	17.17	....	70	24.5	Earnings first 6 months increased 20%.
Amer. Agri. Chem com.	5	6.3	7.5	10.4	9.1	7.3	5.2	7.7	11.0	20.5	86	23.8	
U. S. Ind. Alcohol com.	0	0	....	2.0	4.0	5.0	1.9	1.9	33.22	....	140	23.7	War contracts.
Ray Cons. Cop. (par $10)	2	8.0	....	....	0.2	1.3	1.8	1.6	2.9	8.0†	34	23.5	Record earnings. Extra dividends.
Tenn. Copper (par $25).	0	0	1.7	2.3	2.0	5.5	4.9	3.3	5.3	....	23	23.0	Fire interfered with war contract. Suits pending.
U. S. Rubber com.....	0	0	4.0	7.8	2.2	6.3	9.8	8.0	10.0	14.0†	60	23.0	Conserving working capital.
Va.-Carolina Chem. com.	0	0	7.1	10.4	3.1	3.3	0.5	3.4	7.6	10.3	45	22.8	Prospects for good fertilizer business in 1916.
Allis-Chalmers pfd	6	7.4	....	....	....	....	4.6	—0.2	6.8	20.0‡	90	22.0	11½% back dividends due.
Willys-Ov'd com (par $25)	3	6.5	....	....	....	....	6.7	6.5	11.4	....	40	20.8	Outlook for 1916 bright. Extra divs.
Amer. Woolen com.....	5	9.6	5.2	2.2	2.1	2.1	—19.9	0	10.8	....	52	20.7	Business good.
Utah Copper (par $10).	6	6.3	2.9	3.4	3.9	5.3	5.0	5.3	11.0	25.0†	120	20.0	Big production. Extra dividends.
Amer. Beet Sugar com.	6	6.1	7.0	7.3	10.9	13.5	3.9	2.3	8.7	19.2	102	18.8	Earnings big.
General Motors com....	20	2.5	....	....	15.7	17.3	38.8	37.5	81.2	148.0	810	18.2	Business good .
Acme Tea com.........	0	0	....	....	....	....	8.5	9.0	6.0	12.0	66	18.1	Increasing number of stores.
Am. Hide & Leather pfd	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	7.4	12.6	71	17.7	5% div. declared.
Bethlehem Steel com...	30	5.4	—1.6	6.5	6.7	6.9	27.4	30.6	112.5	....	654	17.2	Turning out shells rapidly and economically.
National Lead com.....	4	5.8	6.2	4.3	3.6	3.8	3.6	3.7	5.0	11.8¶	69	17.1	
Am. Sugar Refining com	7	6.0	3.9	3.8	9.6	8.7	1.9	4.3	5.5	20.0¶	118	16.8	Prices of sugar at high levels.
Central Leather com...	4	4.9	6.3	—2.1	—5.1	8.6	5.2	6.4	10.8	17.0¶	108	16.0	Current earnings good. Extra div.
Sloss Sheffield com....	0	0	6.6	2.0	—0.6	0.8	2.1	0.2	1.7	12.0¶	81	14.6	Freight car shortage limits contracts.
General Chemical com...	6	1.8	14.4	15.6	15.5	14.4	13.4	13.3	44.26	47.0¶	335	14.0	War helped business. Extra dividend. Record earnings for 9 mos.
California Petroleum pfd	4	8.0	....	....	....	....	11.4	11.6	6.1	7.0§	50	14.0	
[illegible]	[illegible]	4.6	....	1.8	6.2	3.1	4.1	5.4	2.4	8.9	64	13.8	War orders.

West'h'se El. com (par $50)	3	4.6	....	3.8	6.2	3.1	4.1	5.4	2.4	8.9	64	13.8	War orders.
Inter. Harv. of N. J. com	5	4.2	17.8	14.8	14.2	15.2	14.5	13.4	16.1	....	117	13.7	Business increasing. Gov't suit.
Am. Cotton Oil com...	4	7.1	10.4	6.8	—1.2	6.5	3.4	2.0	7.05	....	53	13.3	Controls 17 sub-companies. High material cost.
Western Union	5	4.8	5.8	5.7	5.4	4.0	3.2	5.4	10.24	13.5¶	102	13.2	Earnings big. Extra dividends.
Corn Products pfd.....	5	5.4	8.2	6.9	7.0	6.8	7.6	7.7	10.62	12.0¶	96	12.4	Divs. in arrears 18%. Business good. Gov't suit lost.
U. S. Realty & Imp't...	0	0	9.2	9.7	9.4	8.3	9.2	8.2	5.0	3.7	31	11.9	Business picking up.
Amer. Linseed pfd.....	0	0	5.8	4.5	2.6	—2.8	3.0	1.8	6.02	....	56	10.7	Earnings reported very satisfactory.
Miami Copper (par $5).	6	1.5	....	....	0.7	2.8	1.7	1.6	4.5	4.68	44	10.6	
General Electric	8	4.3	7.4	16.7	14.5	16.2	12.9	11.1	11.6	30.0¶	180	10.6	Working at capacity. War orders farmed out.
American Can pfd......	7	6.2	6.7	6.8	7.1	14.2	9.7	10.7	12.2	....	115	10.6	Arrears 8¾%. Big war orders.
Crucible Steel pfd......	7	5.7	8.2	14.5	10.2	13.7	19.6	4.1	12.3	....	122	10.2	Back dividends 20%.
Nat. Enam. & Stamp. com	0	0	1.1	1.0	1.1	—1.6	1.9	—0.3	3.01	....	33	9.9	Business excellent.
Woolworth, F. W., com.	8	8	....	....	....	8.9	11.0	10.7	13.4	....	140	9.5	Expects to show record year.
Mexican Petroleum com.	0	0	....	....	4.6	5.9	11.2	4.7	10.5	....	110	9.5	
Amer. Tobacco com.....	20	8.8	....	....	....	30.4	28.1	21.0	21.0	....	220	9.3	Earnings show big gains.
N. Y. Air Brake......	10	6.3	....	4.5	0.5	5.7	6.5	6.4	15.43	....	174	8.8	Big war orders.
North American	5	7.0	6.0	6.2	6.2	7.2	6.7	6.4	6.1	....	71	8.6	Controls St. Ry. & Elec. Light Cos. in No'west.
Baldwin Locomotive com	0	0	....	....	1.4	11.5	13.1	....	7.14	....	85	8.4	War orders.
U. S. Steel com.......	5	4.2	10.5	12.3	5.9	5.7	11.1	—0.3	9.94	....	122	8.1	Steel business booming. Extra dividend.
Diamond Match Co.....	7	5.9	11.0	11.6	12.6	13.2	11.0	9.1	9.4	....	122	7.7	Extra dividends.
People's Gas Lt. & Coke.	6	5.5	8.9	9.0	8.9	7.5	8.2	8.6	8.38	....	110	7.6	Price of gas in dispute.
Amer. Tel. & Tel......	8	6.0	9.0	10.4	10.0	9.3	9.6	9.4	9.4	9.75¶	135	7.3	Large equities in sub. co. earnings.
Anaconda (par $50)....	8	8.6	3.6	3.5	3.8	7.2	5.6	3.9	7.2	22.0¶	100	7.2	
Sears, Roebuck com....	7	3.2	18.4	20.5	17.0	19.3	21.2	14.5	17.6	....	230	7.0	9 months sales 25% over 1915.
Int. Nickel com (par $25)	6	11.5	....	....	6.9	6.6	2.9	2.8	3.3	3.84†	50	6.6	Earned $3.48 per com. share first 6 months 1916.
U. S. Cast Iron Pipe pfd	2	3.5	1.2	4.4	3.9	4.2	4.7	0.6	4.3*	....	66	6.5	Business picking up.
National Biscuit com...	7	5.4	7.4	7.7	9.8	10.0	9.6	11.7	9.5	8.2	125	6.5	Improved earnings despite increased cost of materials.
Cons. Gas (N. Y.).....	7	6.8	6.7	7.4	7.6	7.5	7.2	7.1	8.5	....	135	6.3	Sub. cos. have large undistributed surp. Ex. div.
Pullman	8	4.7	10.9	11.6	9.3	8.7	9.3	9.0	8.8	10.3	167	6.1	Earnings good.
Greene-Cananea Copper.	8	15.4	....	....	....	4.3	2.3	1.9	3.0	....	52	5.8	
Railway Steel-Spring com	0	0	5.3	6.0	0.3	5.8	1.3	—4.2	3.09	....	53	5.8	1916 outlook bright.
Pittsburgh Coal pfd....	5	4.8	3.0	7.2	5.1	7.5	10.1	5.1	6.1	....	115	5.2	New company formed.
Inter. Paper pfd........	4	3.9	2.7	4.5	5.3	5.4	4.4	5.1	5.0	....	102	4.9	31% cum. div. in arrears. Earnings improving.
Pressed Steel Car com..	6	5.6	7.7	5.5	0.1	0.8	10.5	0.1	3.59	....	79	4.5	War orders.
Am. Car & Fdy. com...	2	2.9	2.6	6.6	7.1	2.5	4.1	5.5	0.1	2.8	68	4.1	War orders.
Am. Malt Corp, pfd....	2	4.1	6.2	3.0	8.8	9.3	4.6	3.7	0.1	....	49	0.2	Divs. in arrears 30½%. Business increasing.
Intl. Agricul. pfd.......	0	0	....	....	....	....	....	2.3	—1.2	10.0	58	0	Big claim against Tenn. Cop.
Union Bag & Paper pfd.	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	—0.7	90	0	Capital readjustment. Earnings good.
Colo. Fuel & Iron com.	0	0	2.1	4.0	3.2	4.8	4.6	—3.1	—1.4	2.9	55	0	Wages increased in 1916.
Am. Steel Foundries....	0	0	0.1	6.1	—1.5	4.6	6.1	—1.4	—1.8	....	66	0	Earnings picking up.

*Fiscal year changed from June 30 to Dec. 31. Marked earnings are based on †6 mos., ‡7 mos., §8 mos., ¶9 mos.

COTTON AND GRAIN

Reducing Wheat Consumption

By P. S. KRECKER

NO recent development in the wheat situation is comparable in importance with the action of the British government in prohibiting the milling or importation of flour containing more than 70 per cent. pure grain it means that the high cost of wheat has forced the British government, much against its will, it would appear, to dictate to the British people how much wheat they shall consume. Excessively high cost of wheat and the heavy risks attending importation of grain have driven England to seek cheaper substitutes. At present writing there exists some confusion as to the exact wording of the government order regulating the milling of flour. Some authorities profess to believe that it is not a question of mixing other foodstuffs with wheat, but simply a question of lowering the grade of the flour by utilizing wheat ingredients which normally are discarded, such as bran. This point has not been cleared up yet, although, to the writer, it appears plain enough that England is requiring the mixing of flour and incorporation of 30 per cent. of other food stuffs. If, as now appears probable, that is the real meaning of the order, it may prove to be far-reaching in its effects. In the first place, it is entirely unlikely that England will stand alone in prohibiting the use of more than 70 per cent. wheat in flour. France and Italy are certain to follow her example. Again, once such an order is effective, it is entirely improbable that it will be revoked before the expiration of the war. The progressive exhaustion of resources already is making itself felt in all of the warring nations. The tendency will constantly be towards greater economies. It is entirely within the probabilities that England, France and Italy will be selling food by ticket, as is now being done in Germany, before the war ends. There should be no surprise over the steps taken to offset the high price of food, especially wheat. The surprising feature of the situation rather is that no measures were taken long ago to restrict the use of wheat in flour and substitute other cheaper foodstuffs. Only in Great Britain's constitutional reluctance to interfere with the natural law of supply and demand, and her strict observance of individual rights can the answer be had to the delay in adopting evidently necessary measures of conservation of food supplies.

It is merely stating a truism to say that the limitation imposed by foreign consumers on the percentage of wheat in flour will materially reduce the quantity of wheat they must buy. The sole question at issue is the extent to which this economic step will affect European purchases of wheat. It may be a mere coincidence that the ratio of wheat to the whole flour content, under the newly enacted order of the British government, is almost exactly the ratio which this year's wheat crop bears to that of last year. Estimates of the reduction in wheat yields of the producing countries compared with the crops of 1915 range from 25 to 30 per cent. It is significant, to say the least, that the British government should have fixed upon practically this very percentage in determining how much wheat may enter into the milling of flour. Naturally, various elements would enter into the determination of that question. There is the primary consideration of food value. Moreover, public opinion must be satisfied. Consumers of flour would not tolerate too great substitution of other ingredients for wheat. But the conclusion can scarcely be escaped that there was a more or less intimate relation between the world crop totals and the percentage of wheat content fixed by government order.

A statistical analysis of the wheat export situation as modified by this order may prove interesting. Great Britain is the largest single buyer of wheat in the

world. Imports of wheat by the United Kingdom average, year in and year out, about 40 per cent. of the entire imports of the world. The United Kingdom buys nearly half of all the wheat imported by Europe. Last year exports to that country alone totalled 232,000,000 bushels of wheat and wheat as flour. This year the domestic wheat crop of the United Kingdom is about 12,000,000 bushels smaller than it was a year ago, hence import requirements may be estimated at 244,000,000 bushels. But, as the wheat content of flour consumed in England is limited to 70 per cent., these requirements are automatically reduced sharply. Thirty per cent. of 244,000,000 bushels would be 73,200,000 bushels, and deduction of that amount would cut down import needs of the United Kingdom to 170,000,000 bushels. However, more than one-fourth of the crop year has passed already, so that calculations must be based on eight months' supply instead of twelve months. The saving of wheat would reach about 49,000,000 bushels, thus reducing actual needs to a probable 195,000,000 bushels.

It is entirely probable that Great Britain's allies will adopt if, indeed, they have not already adopted similar economic measures to conserve the food supply and will require less wheat than estimated. The close co-operation between the governments of England, France and Italy, not only in military matters but in questions of supplies of all kinds, is assurance of this. England's resources on the sea are being utilized for the benefit of allies, and it is incredible that the latter would not follow her example in regulating consumption of foods. Europe's import needs of wheat have been estimated variously at from 535,000,000 to 545,000,000 bushels this season. Should France and Italy prohibit use of more than 70 per cent. pure wheat in flour, it might reduce the requirements of these two nations by 30,000,000 bushels. Adding the possible reduction in Great Britain's needs of approximately 50,000,000 bushels, we have a total reduction of perhaps 80,000,000 to take off original estimates of needs, leaving 460,000,000 bu[illegible]

Of this total Europe has already received in the neighborhood of 150,000,000 bushels from North American in wheat and wheat as flour, while other exporting countries have furnished about 45,000,000 more in the new crop season, bringing the total so far up to about 195,000,000 bushels. Deducting that total from requirements of 460,000,000 bushels would leave 265,000,000 bushels yet to come.

There appears no question that considerably more than that quantity of wheat is to be found in the various surpluses of the world and that Great Britain and her allies are taking energetic steps to secure it at a minimum of cost. Fleets are being requisitioned to transport grain from India, Australia and Argentine as well as from the North American continent. Cabled advices from London indicate that large supplies are available in India and will be secured. It is stated that the government of India has consented to the export of 400,000 tons or approximately 130,000,000 bushels of wheat from that country during November, December and January. It was not supposed that India had that much wheat to spare and the announcement suggests that invisible supplies of wheat are larger than was supposed. Australia and Argentine can readily supply 70,000,000 bushels more in case of need, which would leave only 65,000,000 bushels to be furnished by North America. Recent estimates concede an available export surplus in the United States alone of 58,000,000 bushels on November 1. Available supplies taken in connection with the enforced reduction in consumption of wheat would appear to settle the question of supplies.

There has been much talk about an embargo on wheat exports to be declared by the United States government. It is doubtful that the American government would resort to such a radical measure unless the food situation should become more acute in the United States, and the action taken by Great Britain to limit consumption of wheat would appear to remove any immediate need of apprehension on the point of domestic supplies.

Book Reviews

These books are for sale by THE MAGAZINE OF WALL STREET. Prompt attention will be accorded all orders.

STATUS OF BONDS UNDER THE FEDERAL INCOME TAX

Advance 1917 Edition—(Price $2.10 postpaid).

ALL bond holders as well as bond dealers —ought to have on hand a copy of this book—for reference. It contains an officially revised list of about 10,000 bonds, showing whether or not the bond holder must pay the Federal Income Tax.

The bonds are classified in alphabetical order with opposite each bond issue the word "yes" or "no," answering the question whether or not the issuing corporation pay the tax or not.

This information has been gathered mostly from lists checked and signed by an official of the issuing company, and other reliable sources. It will save bond holders much trouble and investigation in regard to this very important matter.

ADVERTISING AND ITS MENTAL LAWS

By Henry Foster Adams. (Price $1.60 postpaid).

THE deeper we go into any subject the more we realize how little we know about it. That is probably why the real savant ends where he started: in wonder.

Take advertising, for instance. It is just developing into a science, and each student of the subject, as he goes deeper and deeper into it, finds the field is so vast that he has to concentrate and devote his efforts to but one aspect of the question.

This process of specialization, however, makes the search for fundamentals much more thorough and fruitful.

Some of the chapters mark a real, well defined step forward in the study of "how the human mind can be affected and directed by means of advertising." Such are the chapters on: Attention—Getting and Holding the Attention—Impressing the Memory—Determining Action.

Such studies as these give to advertising an importance and dignity to which we are hardly accustomed. Mr. Henry Foster Adams applies to his subject the methods followed by chemists, physicists, of biologists in their laboratories. It is the same painstaking investigation of the facts, the same process of discrimination, the same testing of the theories in the crucible of experience.

The science of advertising, which is steadily developing today from such contributions as this, is as far above what we knew under that name a few years ago as surgery, as practiced by the greatest masters, is above the crude bone-setters' methods of former days.

MAC M.

MONEY AND BANKING

By John Thom Holdsworth. (Price, $2.10, postpaid.)

COULD anything be more popular, more universal, better known to everyone, from a Grand Duke to a beggar, than money? And yet, ask anyone of your friends to tell you just what money is, and I will wager they will be utterly nonplussed.

Money is not the piece of paper that we carry in a wallet; a fifty-dollar bill is not in itself worth over a few cents. It is not gold, since gold is only used as reserve and stays in the banks. It is not a simple bank check, as you will find out if you try to buy a subway ticket by presenting a bank check.

What then is it? More than this, what is the value of money? We take it for granted that a dollar is worth a hundred cents and let it go at that, but the real value of a dollar is constantly increasing or decreasing: Today, the American dollar is worth from 5% to 40% more than usual if you want to buy English pounds, francs, marks, kronen, etc., but it is worth from 10% to 25% less than usual if you want to buy butter, eggs, cotton or securities.

Money, moreover, is handled by the banks, and of all professions, that of banking is the most mysterious to the average man. Haven't you ever wondered what the bankers are and what they do behind their railings, cages, wire fences and other awe-inspiring paraphernalia? They deal in money, this other mysterious something that everyone knows and no one can define; but what do they do with it? To whom do they give it or loan it? Why and how? How do they make it grow so fast that they can pay from 10% to 300% on their capital stock just by sitting behind a desk and smoking Havana cigars?

All the mysteries of the nature and value of money, also the way it is handled by the banks, are clearly explained in Mr. Holdsworth's book: "Money and Banking."

To know what money is and what the banks do with it is not a mere academic question. It is the most vital matter to all investors and speculators, large or small. After all, the price of all commodities as well as the price of Stocks, Bonds, and anything else that has commercial value is determined directly and almost exclusively by the relative value of money in the world's market and its handling by the banks. And yet, how many so-called speculators could be found who have not even a remote idea of the whole subject.

They may handle money for a while without knowing what it is, but, unless they are extremely lucky, they will not have it very long to handle.